

Phoenix Sky Harbor International Airport 3400 Sky Harbor Boulevard Phoenix, Arizona 85034-4420



City of Phoenix

AVIATION DEPARTMENT

February 28, 2002

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Transmitted herewith is the 2002 update to the City of Phoenix Aviation Department's Competition Plan for Phoenix Sky Harbor International Airport. The Competition Plan was prepared in accordance with the requirements provided in the Airport Improvement Program (AIP) guidance letter (PGL) 00-03 dated May 8, 2000.

As demonstrated in the Competition Plan, Phoenix Sky Harbor International Airport provides airlines with a highly competitive environment. Aviation Department business practices, such as airport-controlled gates and terminal facilities, allow the Airport flexibility in accommodating both new and incumbent airlines' needs. In addition, the Airport's use of a compensatory rates and charges methodology allows for lower costs of doing business. The competitive environment of Sky Harbor is evidenced in its air fares – a 1996 General Accounting Office study shows that Phoenix's rates decreased by 32.4 percent since deregulation.

Your February 13, 2001 letter suggested that Sky Harbor consider undertaking a number of additional steps to support competition at our airport. We have listed below our response to these issues.

Availability of Gates and Related Facilities

Suggestion: Responsibility of the City to Arrange Gate Sharing for New Market Entrants

As noted in the updated Competition Plan, Sky Harbor currently has five (5) vacant exclusive use gates and six (6) underutilized common use gates. We believe these provide a significant amount of flexibility to serve new entrants into the Phoenix market. Over the long run, Sky Harbor's business model and business relationships have thrived on collaboration with our carriers. Our strong desire is to retain flexibility in how we facilitate gate sharing for new entrants into the market. The most recent example of this continued success is Sun Country re-entering the Phoenix market in March 2002 by gate sharing with Delta.

However, we recognize that when demand for exclusive use gates returns, it will be necessary to re-evaluate the situation. We will be studying this issue further over the next six (6) months and will pursue formally addressing these issues within Sky Harbor's rules and regulations for terminal leases as well as incorporating into next year's update to the Competition Plan. As outlined below, changes to the Phoenix City Code may be necessary and will require some time to gain approval of the City Council and to implement with all incumbent carriers.

Phoenix remains committed to competition and we support new entrants to our market. While gate availability has improved and our preference is to work collaboratively, we continue to be prepared to take strong action to support effective and efficient use of our capital facilities.

Leasing and Subleasing

- Suggestion: City Monitoring/Regulation of Gate-Sharing Agreements and Fees

We currently require approval of all gate-sharing agreements. Our review and approval has been undertaken with reference to the City's legal framework and not within our existing leases with the carriers, otherwise known as letters of authorization (LOA). Our key interest in the past has been to encourage gate sharing without sacrificing revenue that accrues to the Airport.

In light of the existing excess gate availability at Sky Harbor, gate sharing has become a lower cost alternative to enter the market rather than the sole mechanism for new entrant gate access. However, we think there is value and merit in exploring these issues further.

Sky Harbor will study and develop a more specific definition of appropriate gate-sharing fees and the actual effect of the bundling of ground handling services given the contractor service environment in Phoenix. Again, our preference will be to continue to work collaboratively with the carriers to solve any conflicts and we have an excellent track record of success. However, we believe it is appropriate to develop contractual and/or regulatory tools to allow us to better monitor/manage gate sharing in the event collaboration is unsuccessful. Our goal would be to address these issues over the next six (6) months and incorporate in the next update to the Competition Plan.

Gate Assignment Policy/Common Use Gates

- City Monitoring of Gate Utilization

Since September 11, 2001, and consistent with your suggestion to monitor gate utilization, the City performs quarterly studies of the flight schedules for every carrier at Sky Harbor. We have refined the data collection to arrivals and departures by hour, by carrier, by terminal concourse, for one 24-hour day. Our original intent for the collection of this data was to better manage and adjust operating schedules for terminal food, beverage and retail concessions.

However, this information has also proved valuable for a number of other purposes, including acting as a first line monitor of gate utilization. In the near term, this will be the tool we will be using to communicate gate availability to prospective entrant airlines. It outlines for prospective entrant carriers the potential schedule gaps that exist for exclusive gates controlled by each incumbent carrier. We plan to include this information within our new entrant airline information packet.

A note of caution, however, should be sounded regarding the concept of airports requiring incumbent carriers to gate-share on gates with perceived under-utilization. House Report 106-81 states the purpose of competition plans is for airports to demonstrate how they will provide access to new entrants, “and expansion by incumbent carriers.” Requiring gate sharing has the potential to limit, or eliminate, an incumbent carrier’s opportunities for expansion in a market.

When gate vacancy begins to subside, we are also prepared to conduct a formal gate utilization analysis for each carrier at Sky Harbor. We would conduct this activity every other year. Our expectation is the next study would occur in calendar year 2003.

Patterns of Air Service

- Suggestion: City Subsidy of New Domestic Air Service

You had indicated that our international air service incentives program could be a model applicable to new domestic entrants. In these economic times, the Airport is not in a financial position to create incentives for new domestic route development into Phoenix. Additionally, our international air service development program focuses on a situation where Phoenix is competing with other U.S. cities for specific route service by foreign flag carriers. Our focus on foreign flag carriers is driven

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because of the limited international service provided by our hub carriers (Southwest and America West). The foreign carriers have options for servicing the U.S. and we must compete financially to influence these location decisions. Because Sky Harbor rates and charges per passenger are among the lowest for large U.S. airports (approximately \$4.00 per passenger), we do not believe that subsidy of domestic routes is necessary or appropriate.

- Suggestion: Include the Competition Plan on the Airport's Web Site

We believe this is an easily achievable suggestion, with timing being the only issue. Sky Harbor is in the process of updating its web site and will add the Competition Plan to the list of upgrade tasks.

If you have any questions or require additional information, please contact Mr. V. Michael Jones at (602) 273-3359.

Sincerely,

DAVID KRIETOR
Aviation Director

Sky Harbor International Airport Competition Plan

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Sky Harbor International Airport Competition Plan

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CHAPTER 1: EXECUTIVE SUMMARY

INTRODUCTION

This is the first update to Phoenix Sky Harbor International Airport's Competition Plan. It has been written and is being submitted to the Federal Aviation Administration for review as a result of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub. L. 106-181, April 5, 2000, Section 155. A copy of the Airport Improvement Program Guidance Letter is found in Appendix D.

This Competition Plan has been written to include general information regarding Sky Harbor's airport environment as well as its role in the national aviation system. This Competition Plan includes and responds to all required items contained in Section 155. These items have been identified in the same order and using the same headings as contained in the statutory provision.



PHOENIX COMMUNITY - THE VALLEY OF THE SUN

The city of Phoenix, Arizona, is located in Maricopa County, in the middle of the Southwest desert, and is currently the fastest growing region of the United States. Phoenix is the 6th largest city in the United States and currently has a population of approximately 1.3 million people.

Because of the year-round beautiful weather, Phoenix, along with its neighboring communities, is referred to as the Valley of the Sun. Phoenix was once considered a seasonal market; however, due to the opportunity-rich business climate and unparalleled quality of life, it has evolved into a year-round market. Phoenix also has a large retirement community but, contrary to common belief, Phoenix has a greater proportion of young people than does any comparable U.S. city.

Phoenix has one of the most well-balanced economies in the United States and is the home of a large business community centered on the high-tech industry. Manufacturers located in the Valley of the Sun produce large quantities of high-yield, time-sensitive air cargo. Some of these manufacturers are the largest exporters in the United States. Phoenix hosts a multitude of men and women's sports teams including football, basketball, hockey, baseball, and offers an abundance of golf courses.



***THE PHOENIX AIRPORT SYSTEM
AND
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT***

The City of Phoenix owns and operates the Phoenix Airport System, which consists of Sky Harbor International Airport and its general aviation reliever airports, Deer Valley and Goodyear. The Phoenix Airport System contributes approximately \$16.3 billion to greater Phoenix annually with an expected economic impact of \$22 billion by the year 2005.

Phoenix Sky Harbor International Airport (Airport) is conveniently located three miles east of downtown Phoenix and serves the entire state of Arizona as a major hub airport for international and domestic travelers. The City of Phoenix became the owner of the Airport on July 16, 1935, when the City purchased 285 acres of land and a few buildings for \$35,300 cash and a \$64,700 mortgage. The Airport is considered a large hub carrier airport by the Federal Aviation Administration (FAA), and serves as the primary commercial airline airport serving Phoenix and the state of Arizona.

Between 1995 and 2001, the Airport has experienced an incredible growth rate of more than 20 percent. In 2000, it was the 9th busiest airport in the United States for passenger traffic, and the 5th busiest in terms of total aircraft operations. During 2001, the Airport serviced over 35 million passengers, a decrease of 1.7 percent from 2000, and aircraft operations decreased to a total of 553,310, a 4.6 percent decrease from 2000.

The Airport has three unit terminals – Terminals 2, 3, and 4 – each with its own parking garage, car rental facilities, shops, restaurants, services and ground transportation facilities. There is convenient airport parking for 8,859 automobiles and no-cost transportation between terminals is provided by an inter-terminal shuttle bus system.

The three terminals contain a total of 99 aircraft parking positions. There are 19 domestic and international airlines operating at the Airport, the two largest being America West and Southwest. Together they accounted for about two-thirds of the total enplaned passengers in 2001.

The airfield consists of three parallel east-west runways that are supported by a network of taxiways, aircraft parking aprons, and hold areas. All commercial aircraft, including the Boeing 747-400, can be accommodated on the airfield.

The Airport has also enjoyed a vigorous growth in air cargo. While some air cargo is trucked to other gateways for consolidation, the Airport recently opened a new 172,600 square foot state-of-the-art cargo building that is home to Federal Express, United Parcel Service and U.S. Customs.



PHOENIX SKY HARBOR INTERNATIONAL AIRPORT KEY PROVISIONS OF COMPETITION PLAN

The City of Phoenix Aviation Department has taken steps to ensure that the Airport provides airlines with a highly competitive environment. The Department's business practices allow the Airport flexibility in accommodating both new and incumbent airlines' needs.

The following highlights the key aspects of our Competition Plan:

Gate Availability and Utilization – The Airport has ensured maximum flexibility of its existing gates through a unique month-to-month lease arrangement with airline tenants who utilize exclusive-use gates. The lease provides a 10-day cancellation notice by either party, thereby allowing a great deal of flexibility for both the Airport and its airline tenants. Further, this arrangement easily facilitates negotiations related to the availability of gates. Airline tenants that share the Airport's seven common-use gates are charged on a per-use basis.

The Airport has historically been able to satisfy airline demand for gates. New entrant and incumbent airlines requesting facilities have been accommodated and the Aviation Department has not had to resolve any complaints of denial of reasonable access by a new entrant or an air carrier that wished to expand.

In the past year, the pressing demand for gate facilities was eased by service reductions by Trans World Airlines and US Airways. These reductions have resulted in four gates being removed from exclusive use leasehold. The Aviation Department is strategically reviewing proposed gate additions to the existing terminals to better accommodate growth when it re-appears in this market.

Leasing and Subleasing Arrangements – Although there is no formal subleasing of gates done at the Airport, staff does its best to provide new entrant airlines with ample information designed to assist them in arranging a third-party gate-sharing agreement with an incumbent airline existing at an exclusive-use gate. In such instances, the incumbent airlines are required to adhere to and administer the same fee structure that currently applies to the incumbent airline. Airport procedure also requires that staff review all gate-sharing agreements. The Airport has received no complaints from new entrant airlines pertaining to fees or bundling of services by incumbent airlines.

Airport staff work very closely with all independent contractors who would like to provide support services on the airfield. Before providing such services, the independent contractors must first enter into a contract with either an incumbent or a new entrant airline(s). Once the independent contractor supplies Airport staff with appropriate



documentation, they are issued either a Commercial Use Permit or a Fuel Dispensing Permit. If needed, terminal space is provided to the independent contractor and is leased at the established rates and charges rate.

Airport staff has been able to able to resolve all air carrier disputes on an informal basis. The Airport facilitates the involvement of appropriate airline(s) and applicable Airport staff in order to negotiate conflict resolution.

Patterns of Air Service – As of February 2002, the airlines at the Airport served a total of 130 markets. Additionally, the airlines serve 103 markets on a non-stop basis and 22 small communities. Our low-fare carriers serve a total of 36 markets, and 31 markets are served by a single carrier. While airlines frequently add or drop markets, in total they added 14 markets between February 2001 and February 2002. The Department periodically conducts a Domestic Air Service Deficiency Study that aids staff and airlines in determining underserved or unserved markets.

Gate Assignment Policy – The Airport has had an informal gate assignment policy and has been able to effectively match existing carriers and/or new entrants’ operational requirements with appropriate gates and facilities. The Department’s month-to-month tenant leases allow staff to oversee and monitor gate usage and leasing and address issues as required.

Airport staff takes an active role in assuring that both incumbent and new entrant airlines are treated fairly. The terms and conditions for all gates are the same regardless of whether an air carrier is an incumbent or a new entrant. Facilities, as well as gate assignments, are made available for both new entrant and incumbent airlines on a first-come first-serve basis. The Airport has encouraged both new entrant carriers and incumbent carriers as they attempt to expand their operations and has, in the past, acquired and converted baggage systems and jetways.

Financial Constraints – The Airport’s main source of revenue for terminal projects is airport revenue bonds supplemented with Passenger Facility Charge (PFC) funds. Under the Department’s compensatory rates and charges methodology, airlines are charged the costs of operations and maintenance for the facilities that they utilize. Further, the Department has used PFC funds for several gate and terminal projects.

Airport Controls Over Airside and Groundside Capacity – The City of Phoenix Aviation Department does not use Majority-in-Interest (MII) agreements and has no plans to implement any in the future. The Department does not have “no further rates and charges” clauses covering groundside and airside projects. Finally, no capital construction projects have been delayed or prevented because an MII was invoked.



Common Facilities – The Airport currently has seven common-use gates available to its airlines. Additional common-use facilities are under consideration as part of the proposed West Terminal. Two carriers have served the Airport for more than three years relying exclusively on common-use gates.

All of the Airport's international gates are common-use. International airlines have preferential use of these gates; however, when these gates are not being utilized for international service, they are available for domestic use.

Airfare Levels – As noted in the 1996 General Accounting Office (GAO) report on Airline Deregulation, Phoenix has had a tremendous reduction in air fares since deregulation. At the time of the study, air fares had dropped 32 percent. Phoenix is served by two low-cost, low-fare airlines – Southwest and America West.

According to Department of Transportation data, America West holds a 24 percent market share, an average trip length of 925 miles, and an average fare of \$128.26 or 14 cents per mile. Southwest holds a 33 percent market share, an average trip length of 639 miles, and an average fare of \$91.01 or 14 cents per mile. For all airlines listed for Phoenix, the average trip length was 1,030 miles and the average fare was \$137.39 or 13 cents per mile.

The average airline fare at Phoenix Sky Harbor International Airport is competitive with all other airports utilized for comparison purposes. In fact, based upon the data provided to complete this study, Phoenix airfares overall are competitive in all cases, and in many cases lower than comparable airports.



CHAPTER 2: AVAILABILITY OF GATES AND RELATED FACILITIES

NUMBER OF GATES AVAILABLE AT THE AIRPORT BY LEASE AGREEMENT

Currently, Phoenix Sky Harbor International Airport has three passenger terminal buildings – **Terminal 2**, **Terminal 3** and **Terminal 4**. The terminals have a total of 99 exclusive and common-use gates.

Terminal 2: Terminal 2 has one concourse with a total of 12 exclusive-use gates (three are currently vacant) and one common-use gate.

Terminal 3 Terminal 3 has two concourses, one on the north and one on the south, with a total of 16 exclusive-use gates.

Terminal 4 Terminal 4 has six concourses. Four concourses are located on the north (N1, N2, N3 and N4) and two concourses are located on the south (S3 and S3). There are a total of 70 gates in Terminal 4. Of the 70 gates, 62 are utilized as exclusive, two are inactive, and six are common-use for international operations.

The six common-use gates located in Terminal 4 are on the N-4 Concourse and are managed by the City of Phoenix. These gates are located directly above the Federal Inspection Services (FIS) area and were constructed for preferential international operations with secondary domestic availability. The gates are scheduled on a “per-use” basis, with two gates assigned preferentially based on aircraft type.



GATE USE MONITORING POLICY

Most gates at the Airport are currently leased exclusively and, therefore, require very little monitoring by Airport staff. However, usage of the six common-use gates in Terminal 4 are scheduled by Airport Operations Division staff. Since September 11, 2001, and consistent with your suggestion to monitor gate utilization, the City performs quarterly studies of the flight schedules for every carrier at the Airport. We have refined the data collection to arrivals and departures by hour, by carrier, by terminal concourse, for one 24-hour day.

The Airport has a somewhat unique arrangement with our airline tenants. Leases with all domestic airlines are month-to-month, which allows a great deal of flexibility for both the airlines and the Airport. This policy encourages both parties to build strong relationships. When there have been concerns by either side, the parties meet and discuss the issue and in all cases have been able to resolve the issue or solve the problem. The Airport's air carrier lease agreements are governed by applicable state law, and require a 10-day termination notice by either party. This contract provision easily facilitates negotiations with airlines to resolve issues related to availability of gates.

The Deputy Director of the Airport's Business and Properties Division serves as the landlord of the facilities. He/she is also responsible for appointing a person from their Division to serve as the Airline Liaison.

The Airport coordinates various meetings with the Phoenix airline managers and their staff. The following meetings are held in order to encourage communications between the airlines and Airport staff:

- Monthly:** Airline Manager's Meeting – held in order to discuss general issues of interest to the airlines, and to encourage open communication among airline managers and Airport staff.
- Monthly:** International Gate Users Meeting – held in order to discuss general issues and concerns with the airlines that utilize the six common-use gates in Terminal 4. Attendees can also voice concerns pertaining to FIS issues, etc.
- Quarterly:** America West and Southwest – held with the two largest carriers in Phoenix and appropriate Airport staff in order to discuss specific concerns that these airlines have that would be only relevant to their specific operations.



Semi-Annually: Airline/Airport Affairs Committee – the Airport arranges for the spring and fall meetings of the Phoenix Airline/Airport Affairs Committee. The corporate property officers of all airlines serving Phoenix, as well as the local station managers, are invited to the meetings. Airport staff present information on planned development at Phoenix Sky Harbor International Airport, the Airline Rates and Charges Program, and all other property questions that may arise.

As needed: Terminal Meetings - held with the airline terminal managers and appropriate Airport staff in order to discuss specific issues that affect airlines located in each specific terminal.

Airline Meeting – held at the request of either the airline manager or designee, or the Airport Airline Liaison and/or Airport staff to discuss issues that are specific to a particular airline.

Informal: The Airport's Airline Liaison makes a dedicated effort to have a visible and comfortable presence in all of the terminals. In this way, the Liaison is able to meet informally with the airline managers and/or their staff. This often allows an issue to be expeditiously resolved before it becomes a problem.



***DIFFERENCES, IF ANY, BETWEEN GATE-USE MONITORING
AT PFC-FINANCED FACILITIES, FACILITIES SUBJECT
TO PFC ASSURANCE # 7 AND OTHER GATES***

The source of financing of the gates at Phoenix Sky Harbor International Airport has no bearing on how the gates are monitored. (See Page 2-2 for a description of gate monitoring practice.)

PFC Assurance #7 deals with the provision to terminate airline leases for PFC-funded facilities. All facilities at the Airport are subject to the same air carrier lease agreements and are, therefore, governed by applicable state law that requires a 10-day termination notice by either party.



***HAS THE PFC COMPETITIVE ASSURANCE #7 OPERATED TO CONVERT
PREVIOUSLY EXCLUSIVE-USE GATES TO PREFERENTIAL-USE GATES OR
HAS IT CAUSED SUCH GATES TO BECOME AVAILABLE TO OTHER USERS?***

No, the PFC Competitive Assurance # 7 has not operated to convert previously exclusive-use gates to preferential-use gates, nor has it caused such gates to become available to other users.

All exclusive-use gates continue to be exclusive-use and are governed by applicable state law that requires a 10-day termination notice by either party.



GATE UTILIZATION (DEPARTURES/GATE) PER WEEK AND MONTH

While we are evaluating gate availability regularly, the Airport does not currently conduct regular formal gate utilization analyses. Because the Airport has always managed to meet gate requests for established and new entrant airlines, there has not been a need to pursue this approach in the past.

When gate vacancy begins to subside, we are prepared to conduct a formal gate utilization analysis for each carrier at the Airport. We would conduct this activity every other year. Our expectation is the updated study would occur in calendar year 2003. (See Appendix F for a summary of findings of the 2000 Gate Utilization Study.)

Based on the Airport's latest departure count of 588 departures per day, the average number of departures per gate would be derived as follows:

$$\frac{588 \text{ departures per day} \times 7 \text{ days per week}}{99 \text{ gates}} = \frac{4,116 \text{ departures per week}}{99 \text{ gates}} = 42 \text{ departures per gate per week}$$

$$\frac{588 \text{ departures per day} \times 30 \text{ days per month}}{99 \text{ gates}} = \frac{17,640 \text{ departures per month}}{99 \text{ gates}} = 178 \text{ departures per gate per month}$$

Airport staff manages the gate utilization of the six common-use gates located in Terminal 4. International common-use license agreements, which include a "Summary Operations Plan," provide terms and conditions conducive to maximum gate utilization for the greatest number of carriers possible. Aircraft currently accommodated at these gates range from Dash-8s to B747-400s.



POLICY REGARDING “RECAPTURING” GATES THAT ARE NOT BEING FULLY USED

Because Airport staff have been able to satisfy airline demand for gates to date, it has not been necessary to formally employ utilization as criteria for recapturing gates. Current capacity constraints are being addressed in the following ways:

- ◆ Airport staff facilitates negotiations between airlines for the use of gates under “gate-sharing” arrangements and for preferential-use.
- ◆ Airport staff continually track gate utilization by airline/by terminal as a means for identifying shifting revenue patterns and opportunities for maximizing air carrier service through gate-sharing arrangements.
- ◆ Airport staff is proceeding to relocate the current fire station. This will permit the utilization of two additional gates on the N-1 Concourse of Terminal 4. This project will be completed in calendar year 2002.
- ◆ Airport staff is proceeding with an EIS for a new West Terminal. This project will have up to five concourses and will open in stages in the latter part of this decade.
- ◆ Airport staff have identified the ability to add two additional concourses onto Terminal 4, with total new capacity of up to 18 gates. The schedule for these projects is subject to a recovery in the Airport’s financial position.

The Airport has seldom had to take a gate away from a carrier. Generally, the airline tenants have made tenant improvements such as loading bridges with significant residual value. In the case where one airline takes over facilities from a previous airline tenant, the Airport has served as a facilitator to make sure that both airlines are satisfied with the transition. If the Airport did decide to take a gate away, it would be required to purchase the remaining balance of the non-amortized value of the gate’s improvements.

Also under review is the Airport’s current bag make-up system. The current system may require alterations and/or renovations to better accommodate the users.



USE/LOSE OR USE/SHARE POLICIES FOR GATES AND OTHER FACILITIES

Airport staff has not been in a situation where airlines were unable to find an equitable “share” arrangement. If a new entrant domestic airline wished to share a gate with a current airline tenant, in order to reduce start-up costs, Airport staff would provide the new entrant airline with a list of incumbent airline tenants’ information, including airline managers’ names and telephone numbers. Staff also makes available the Airport’s quarterly assessment of airline schedules, analyzed by flights per hour, per carrier, per concourse for a 24-hour day. If requested by the new entrant, Airport staff can help facilitate introductions and support the new entrant’s requests to incumbent airline station and property managers.

New entrant domestic airlines are able to work with the existing airline tenants to make their own third-party agreements for the sharing of gate(s). Tenant airlines may not charge more than the Airport’s established rates and charges rate for terminal facilities it provides to other carriers. All airline gate-sharing agreements are subject to Airport staff review and approval.



***PLANS TO MAKE GATES AND RELATED FACILITIES AVAILABLE
TO NEW ENTRANTS OR TO AIR CARRIERS THAT WANT TO
EXPAND SERVICE AT THE AIRPORT, METHODS OF ACCOMMODATING
NEW GATE DEMAND BY AIR CARRIERS AT THE AIRPORT.
(COMMON-USE, PREFERENTIAL-USE, OR EXCLUSIVE-USE GATES.)
AND LENGTH OF TIME BETWEEN WHEN AN AIR CARRIER INITIALLY
CONTACTS THE AIRPORT AND COULD BEGIN SERVING IT***

Historically, Airport staff have been able to satisfy all airline requests for gates, for both new entrants' and existing tenants' expansion, by combining available exclusively leased space with Airport-owned common use equipment. Prior to September 11th, unprecedented growth in this region, and nearly full occupancy of available facilities, accelerated the City's timetable for developing a new terminal complex. Airport staff considered options for a new terminal that would provide several concourses in an initial phase, and will provide fast, flexible and cost-effective options for future expansion.

On June 6, 2000, the Phoenix City Council approved the West Terminal Development Study's recommended concept and authorized a design consultant to begin work immediately. Additional gate capacity was scheduled for 2006.

Following the events of September 11th, and the accompanying economic downturn, airline demand for facilities has all but disappeared. During this time, one gate in Terminal 2 has been converted to on-demand common use, and three gates were vacated by TWA. Phoenix now has sufficient capacity for start-ups or new entrant carriers for the foreseeable future.



***HOW ARE COMPLAINTS OF DENIAL OF REASONABLE
ACCESS BY A NEW ENTRANT OR AN AIR CARRIER
THAT WANTS TO EXPAND SERVICE RESOLVED?***

The Airport has had no complaints of this nature. In the event that they do arise, the Business & Properties Director is responsible to intervene and evaluate if the access concerns relate to issues under the control or responsibility of the Airport, and to respond as appropriate.



***NUMBER OF CARRIERS IN THE PAST YEAR THAT HAVE REQUESTED
ACCESS OR SOUGHT TO EXPAND, HOW WERE THEY ACCOMODATED,
AND THE LENGTH OF TIME BETWEEN ANY REQUESTS AND ACCESS***

Lufthansa -

Inaugurated service to Phoenix in March 2001. The Airport constructed additional common use facilities, including a baggage conveyor system, in less than 180 days to accommodate Lufthansa's scheduled start-up.



CHAPTER 3: LEASING AND SUBLEASING ARRANGEMENTS

WHETHER A SUBLEASING ARRANGEMENT WITH AN INCUMBENT CARRIER IS NECESSARY TO OBTAIN ACCESS

Generally, there is no subleasing of gates at Phoenix Sky Harbor International Airport. Indeed, no airport lease, license or permit may be transferred or sublet without the prior written consent of the Aviation Director.

When a new entrant or incumbent airline wishes to share a gate, Airport staff provides the airline with an updated list of airline tenants. The information provided includes the names of all of the local airlines, their terminal locations, the names of the airline managers and their telephone and fax numbers. The airlines are encouraged to work out a third-party agreement in order to share the use of the gates. The Airport must review all gate-sharing agreements.



CHAPTER 4: PATTERNS OF AIR SERVICE

NUMBER OF MARKETS SERVED

As of February 2002, the airlines at Phoenix Sky Harbor International Airport serve a total of 130 markets. Markets served are as follows:

Acapulco	El Paso	Los Cabos	Prescott
Albany	Eugene	Louisville	Providence
Albuquerque	Farmington	Lubbock	Puerto Vallarta
Allentown	Flagstaff	Madison	Raleigh Durham
Amarillo	Fort Huachuca/Sierra Vista	Manchester	Reno
Anchorage	Fort Meyers	Mazatlan	Richmond
Aspen	Fresno	Memphis	Sacramento
Atlanta	Ft Lauderdale	Mexico City	Salt Lake City
Austin	Grand Junction	Miami	San Antonio
Bakersfield	Grand Rapids	Midland/Odessa	San Diego
Baltimore	Greensboro	Milwaukee	San Francisco
Billings	Guadalajara	Minneapolis/St. Paul	San Jose
Birmingham	Guaymas	Moab	San Luis Obispo
Boise	Hartford	Monterey (CA)	Santa Barbara
Boston	Hermosillo	Montreal	Sarasota/Bradenton
Buffalo	Honolulu	Montrose	Seattle
Burbank	Houston (Hobby)	Nashville	Spokane
Burlington	Houston (Intercontinental)	New Orleans	Springfield
Calgary	Indianapolis	New York (JFK)	St. Louis
Cancun	Ixtapa/Zihuatanejo	New York (La Guardia)	Syracuse
Carlsbad	Jackson	New York (Newark)	Tampa
Charlotte	Jacksonville	Norfolk	Telluride
Chicago (Midway)	Kansas City	Oakland	Toronto
Chicago (O'Hare)	Kingman	Oklahoma City	Tucson
Cincinnati	Kuhului	Omaha	Tulsa
Cleveland	Lake Havasu City	Ontario	Vancouver
Colorado Springs	La Paz	Orange County	Washington DC (Dulles)
Columbus	Las Vegas	Orlando	Washington DC (National)
Dallas/Ft. Worth	Little Rock	Page	West Palm Beach
Denver	London	Palm Springs	Wichita
Des Moines	Long Beach	Philadelphia	Yuma
Detroit	Long Island	Pittsburg	
Durango	Los Angeles	Portland	



**NUMBER OF MARKETS SERVED ON A NON-STOP BASIS.
AVERAGE NUMBER OF FLIGHTS PER DAY**

As of February 2002, the airlines at Phoenix Sky Harbor International Airport serve a total of 103 markets on a non-stop basis. Markets served on a non-stop basis are as follows:

Acapulco	El Paso	Los Angeles	Portland
Albuquerque	Eugene	Los Cabos	Prescott
Aspen	Farmington	Louisville	Providence
Atlanta	Flagstaff	Manzanillo	Puerto Vallarta
Austin	Fort Huachuca/Sierra Vista	Mazatlan	Reno
Bakersfield	Frankfurt	Memphis	Sacramento
Baltimore	Fresno	Mexico City	Salt Lake City
Birmingham	Ft. Lauderdale	Miami	San Antonio
Boise	Grand Junction	Milwaukee	San Diego
Boston	Guadalajara	Minneapolis/St. Paul	San Francisco
Buffalo	Guaymas	Monterey (CA)	San Jose
Burbank	Hermosillo	Montrose	San Luis Obispo
Calgary	Honolulu	Nashville	Santa Barbara
Carlsbad	Houston (Hobby)	New Orleans	Seattle
Charlotte	Houston (Intercontinental)	New York (JFK)	Spokane
Chicago (Midway)	Indianapolis	New York (Newark)	St. Louis
Chicago (O'Hare)	Ixtapa/Zihuatanejo	Oakland	Stockton
Cincinnati	Kahului	Oklahoma City	Tampa
Cleveland	Kansas City	Omaha	Telluride
Colorado Springs	La Paz	Ontario	Toronto
Columbus	Lake Havasu City	Orange County	Tucson
Dallas/Ft. Worth	Las Vegas	Orlando	Tulsa
Denver	Vancouver	Page	Washington DC (Dulles)
Des Moines	Little Rock	Palm Springs	Wichita
Detroit	London	Philadelphia	Yuma
Durango	Long Beach	Pittsburg	

As of February 2002, the total number of daily arrivals and departures at Phoenix Sky Harbor International Airport are as follows:

Arrivals = 588
Departures = 588

NUMBER OF SMALL COMMUNITIES SERVED

As of February 2002, the airlines at Phoenix Sky Harbor International Airport serve a total of 22 small communities. Small communities served are as follows:

Aspen	Flagstaff	Monterey (CA)	Santa Barbara
Bakersfield	Fresno	Montrose	Telluride
Bullhead City	Ft. Huachuca/Sierra Vista	Page	Wichita
Carlsbad	Grand Junction	Palm Springs	Yuma
Durango	Kingman	Prescott	
Farmington	Lake Havasu City	San Luis Obispo	



NUMBER OF MARKETS SERVED BY LOW-FARE CARRIERS

As of February 2002, the low-fare carriers at Phoenix Sky Harbor International Airport serve a total of 36 markets. Markets served are as follows:

Albuquerque	Houston (Hobby)	New Orleans	Sacramento
Austin	Indianapolis	Oakland	Salt Lake City
Baltimore	Kansas City	Oklahoma City	San Antonio
Birmingham	Las Vegas	Omaha	San Diego
Buffalo	Little Rock	Ontario	San Francisco
Burbank	Louisville	Orlando	San Jose
Chicago (Midway)	Los Angeles	Portland	Seattle
Detroit	Minneapolis	Providence	St. Louis
El Paso	Nashville	Reno	Tulsa



NUMBER OF MARKETS SERVED BY ONE CARRIER

As of February 2002, there are a total of 31 markets served by one (a single) carrier at Phoenix Sky Harbor International Airport. Markets served by a single carrier are as follows:

Aspen	Fort Huachuca/Sierra Vista	Manzanillo	Palm Springs
Bakersfield	Fresno	Mazatlan	Prescott
Billings	Grand Junction	Midland/Odessa	San Luis Obispo
Carlsbad	Guaymas	Moab	Santa Barbara
Durango	Kingman	Monterey (CA)	Stockton
Eugene	Lake Havasu City	Montrose	Telluride
Farmington	Long Beach	Oklahoma City	Yuma
Flagstaff	Long Island	Page	



***NUMBER OF NEW MARKETS ADDED OR
PREVIOUSLY SERVED MARKETS DROPPED IN THE PAST YEAR***

The airlines at Phoenix Sky Harbor International Airport frequently add or drop the markets that they serve. Listed below is a summary of markets served comparing February 2001 with February 2002:

<u>Operations and Cities Served</u>	<u>February 2001</u>	<u>February 2002</u>
Nonstop Cities	108	105
Same Plane Cities	81	87

In total, the airlines at Phoenix Sky Harbor International Airport have added 14 additional markets in the past year.



HOW THE AIRPORT ASSISTS REQUESTING AIRLINES OBTAIN A SUBLEASE

There is no subleasing of gates done at Phoenix Sky Harbor International Airport.

When a new entrant or incumbent airline wishes to share a gate, Airport staff provides the airline with an updated list of airline tenants. The information provided includes the names of all of the local airlines, their terminal locations, the names of the airline managers and their telephone and fax numbers. The airlines are encouraged to work out a third-party agreement in order to share the use of the gates.

If requested by the airline, Airport staff offers suggestions concerning which airlines might be able to accommodate their request. Some airlines, such as Southwest, have corporate policies that prohibit them from entering into third-party agreements on gate-sharing. To date, the Airport has been able to accommodate every request for gates.



***AIRPORT OVERSIGHT POLICIES FOR SUBLEASE FEES
AND GROUND HANDLING ARRANGEMENTS***

Airport procedures provide for Airport staff review and approval of all gate-sharing agreements as it relates to the terms and conditions of the actual space lease.



AIRPORT POLICIES REGARDING SUBLEASE FEES
(e.g., no more than 15 percent above the standard airport-determined fee)

There is no subleasing of gates done at Phoenix Sky Harbor International Airport. All third-party agreements on gate-sharing require the incumbent airline to charge the new airline cost recovery with a reasonable administrative fee.

The Airport's review of gate-sharing agreements specifically addresses the issue of host carriers not charging more for exclusively leased space than they pay under the rates and charges program. A reasonable administrative fee would not exceed 15%. The Airport does not currently have standards or policies in place to review ground handling agreements between carriers. We intend to implement these policies by the next update of this Competition Plan.



***HOW MANY COMPLAINTS BY SUB-TENANTS ABOUT EXCESSIVE
SUBLEASE FEES OR UNNEEDED BUNDLING OF SERVICES ARE RESOLVED***

Phoenix Sky Harbor International Airport has had no complaints of this nature.



***HOW INDEPENDENT CONTRACTORS WHO WANT TO PROVIDE
GROUND HANDLING, MAINTENANCE, FUELING, CATERING,
OR OTHER SUPPORT SERVICES HAVE BEEN UNABLE TO
ESTABLISH A PRESENCE AT THE AIRPORT ARE ACCOMODATED***

Airport staff work very closely with all independent contractors who want to provide support services on the airfield.

Independent contractors who would like to provide services at the Airport must first have entered into a contract with either an incumbent airline or a new entrant airline. The independent contractor must then supply Airport staff with the appropriate documentation that fulfills the Airport's minimum requirements before they will be issued either a Commercial Use Permit (CUP) or a Fuel Dispensing Permit (FDP).

Requirements: Independent contractors must submit the following to Airport staff in order to obtain a CUP or FDP:

- ◆ Permittee Information: including full legal name, description, and contact information for both local and corporate offices, if applicable.
- ◆ Copy of Contract(s) or Letter(s) of Understanding: from the airline indicating start date and nature of services to be provided.
- ◆ Authorized Activities: provide a list of services to be performed or equipment to be utilized for each specific airline.
- ◆ Performance Bond or Cash or Surety Faithful Performance Bond: in an amount equal to 8% of an estimated three months' gross revenue.
- ◆ Indemnity and Insurance: Airport staff has very specific requirements that are provided to the permittee in a separate format. All requirements must be met and appropriate documentation must be submitted to the Airport.
- ◆ Affirmative Action: Airport staff provides permittees with instructions for registering with the City of Phoenix.

After satisfying all of the Airport's requirements, terminal space is made available to the contractor for lease at the established rates and charges rate. There are currently two ground passenger service companies, OAS and Servisair, who provide ground handling and passenger services to the airlines who do not provide their own services.



***ARE FORMAL ARRANGEMENTS IN PLACE TO RESOLVE DISPUTES AMONG
AIR CARRIERS REGARDING THE USE OF AIRPORT FACILITIES?***

Airport staff has been able to resolve all air carrier disputes on an informal basis; therefore, formal procedures have not been necessary and have not been developed. Airport staff works with the appropriate airlines to negotiate conflict resolution.



CHAPTER 5: GATE ASSIGNMENT POLICY

GATE ASSIGNMENT POLICY AND METHOD OF INFORMING EXISTING CARRIERS AND NEW ENTRANTS OF THIS POLICY. THIS WOULD INCLUDE STANDARDS AND GUIDELINES FOR GATE USAGE AND LEASING, SUCH AS SECURITY DEPOSITS, MINIMUM USAGE, IF ANY FEES, TERMS, MASTER AGREEMENTS, SIGNATORY AND NON-SIGNATORY, REQUIREMENTS

To date, the Airport's gate assignment procedure has been informal and the Airport has been able to effectively match existing carriers or new entrants' operational requirements with appropriate gates and facilities. Since the Airport does not have a formal gate assignment procedure, there is no formal vehicle for informing existing carriers and/or new entrants of any standards for gate usage and leasing. Among other issues, Airport capacity is discussed at monthly airline managers' meetings and at quarterly airline terminal meetings.

Because of the month-to-month tenant leases utilized at Phoenix Sky Harbor International Airport, the Airport staff is able to oversee and monitor gate usage and leasing and address issues as required. A sample of the Airport's airline lease agreement is included in Appendix E.



***HOW ANNOUNCEMENTS ARE MADE TO TENANT AIR CARRIERS
WHEN GATES BECOME AVAILABLE. DO ALL TENANT AIR CARRIERS
RECEIVE INFORMATION ON GATE AVAILABILITY AND TERMS AND
CONDITIONS BY THE SAME PROCESS AT THE SAME TIME?***

Airport staff is constantly in contact with incumbent airline personnel. In this way, Airport staff is aware of the intentions of the incumbent airlines for growth or reduction in the market. The terms and conditions for all gates are the same regardless of whether an air carrier is an incumbent or a new entrant.

In the near term, our carrier flight analysis (flights by hour, by concourse, for a 24-hour day) will be the tool we will be using to communicate gate availability to prospective entrant airlines. It outlines for prospective entrant carriers the potential schedule gaps that exist for exclusive gates controlled by each incumbent carrier. We plan to include this information within our new entrant airline information packet.



***NEW POLICIES THAT HAVE BEEN ADOPTED OR ACTIONS
THAT HAVE BEEN TAKEN TO ENSURE THAT NEW ENTRANT
CARRIERS HAVE REASONABLE ACCESS TO THE AIRPORT AND
THAT INCUMBENT CARRIERS CAN EXPAND THEIR OPERATIONS***

Airport staff has encouraged new entrant carriers and assisted incumbent carriers as they attempt to expand their operations. In the past, the Airport has acquired available outbound baggage conveyor systems and jetways. The Airport has converted some baggage systems to multiple carrier use and established an equitable fee structure based on enplanements.

Facilities, as well as gate assignments, are made available for both new entrant and incumbent airlines on a first-come first-serve basis.

For several years, Airport staff has hired a consultant to perform a “*Domestic Air Service Deficiency Study*” in order to provide the Airport with an outline for future domestic development. The study analyzes the Phoenix domestic air service market and identifies underserved or unserved markets. The study also suggests suitable carriers to serve these markets and, in some cases, the appropriate aircraft type for the market identified. Airport staff carefully evaluate the information contained in the study and frequently contacts senior airline staff in order to discuss the opportunities. This cooperative effort between Airport staff and the airlines has often proved successful by ultimately adding additional air service to the Phoenix market.



CHAPTER 6: FINANCIAL CONSTRAINTS

THE MAJOR SOURCE OF REVENUE AT THE AIRPORT FOR TERMINAL PROJECTS

The major source of revenue at the Airport for terminal projects is airport revenue bonds supplemented with Passenger Facility Charge (PFC) funds.



***RATES AND CHARGES METHODOLOGY
(RESIDUAL, COMPENSATORY, OR HYBRID)***

Compensatory. The Airport passes on to the airlines the costs of operations, maintenance, and for providing the facilities that the airlines utilize.



PAST USE, IF ANY, OF PFC'S FOR GATES AND RELATED TERMINAL PROJECTS

PFCs were utilized for the following gate and terminal related projects at the Airport:

1. Expand Terminal 4, N4 concourse. Added eight gates.
2. Develop Terminal 4, N1 concourse. Added twelve gates and will be expanding to fourteen gates in the future when the Fire Station is relocated.
3. Expand Terminal 4 core building, ticketing and baggage functions.



CHAPTER 7: AIRPORT CONTROLS OVER AIRSIDE AND GROUND SIDE CAPACITY

MAJORITY-IN-INTEREST (MII) OR “NO FURTHER RATES AND CHARGES” COVERING GROUND SIDE AND AIRSIDE PROJECTS

There are no Majority-in-Interest (MII) or “no further rates and charges” clauses covering groundside and airside projects.



***LIST ANY CAPITAL CONSTRUCTION PROJECTS THAT HAVE
BEEN DELAYED OR PREVENTED BECAUSE AN MII WAS INVOKED***

There have been no capital construction projects delayed or prevented because an MII was invoked.



PLANS, IF ANY, TO MODIFY EXISTING MII AGREEMENTS

There are no MII agreements at Phoenix Sky Harbor International Airport, and there are no plans to implement any in the future.



CHAPTER 8: AIRPORT GATES

THE NUMBER OF COMMON-USE GATES AVAILABLE AT THE AIRPORT TODAY

There are currently six full-service common-use gates, and one common-use gate with jetway only, located at Phoenix Sky Harbor International Airport. The six full-service gates are located in Terminal 4 on the N4 Concourse. These gates were built to accommodate international traffic; however, these gates are utilized for domestic aircraft when international and domestic schedules can be coordinated. The other common-use gate is located in Terminal 2.



***THE NUMBER OF COMMON-USE GATES THE AIRPORT INTENDS TO
BUILD OR ACQUIRE (SPECIFY) AND TIMELINE. INTENDED
FINANCING ARRANGEMENTS FOR THESE COMMON-USE GATES***

There is currently a developmental study underway for a new West Terminal. As a result of the events of September 11th, and the softening air travel market, this project has been placed on hold. The Environmental Impact Statement process is still underway to facilitate this project when demand for facilities in this market returns.

The concept plan for this new terminal was developed in June 2000. The City of Phoenix selected the firm of DMJM as a program manager to begin the development process. Business modeling, to identify the most appropriate airline tenant mix, was completed. Space programming and terminal schematic layouts were being developed when September 11th occurred. As part of the development process, Airport staff is exploring the concept of making all, or some, of the gates in the new terminal common-use.

Currently, a completion date for the first phase of this facility is unknown, but some gates are expected to come on-line by the end of the decade. The Airport is studying the feasibility of converting three gates abandoned by TWA, with the corresponding support space, to common use for domestic service.

Financing for the West Terminal gates will be predominately through airport revenue bonds supplemented by Airport Improvement Program funds and Passenger Facility Charges.



***ARE THERE ANY AIR CARRIERS THAT HAVE BEEN SERVING
THE AIRPORT FOR MORE THAN THREE YEARS RELYING
EXCLUSIVELY ON COMMON-USE GATES?***

British Airways and Aeromexico have served the Airport for more than three years relying exclusively on common-use gates.



***WHETHER COMMON-USE GATES WILL BE CONSTRUCTED
IN CONJUNCTION WITH GATES LEASED THROUGH
EXCLUSIVE- OR PREFERENTIAL-USE ARRANGEMENTS***

Airport staff continues to consider constructing common-use gates, or utilizing a combination of exclusive, preferential and common-use gates in the proposed future West Terminal.



***WHETHER GATES BEING USED FOR INTERNATIONAL
SERVICE ARE AVAILABLE FOR DOMESTIC SERVICE***

International flights have preferential use of all of the international gates located at Phoenix Sky Harbor International Airport. When not needed for international service, the gates are available for domestic use.



***DO AIR CARRIERS THAT ONLY SERVE DOMESTIC MARKETS
NOW OPERATE FROM INTERNATIONAL GATES?***

No, carriers that serve only domestic markets do not currently operate from the Airport's international gates. After obtaining prior approval from Airport staff, America West Airlines, which provides both domestic and international service, occasionally uses international gates for domestic operations.



CHAPTER 9: PHX AIRFARE LEVELS COMPARED TO OTHER AIRPORTS

In April 1996, the United States General Accounting Office (GAO) issued a report to the Chairman, Committee on Commerce, Science and Transportation, U.S. Senate titled Airline Deregulation: Changes in Airfares, Service, and Safety at Small, Medium-Sized and Large Communities. This report examined the changes in airfare and the quantity, quality, and safety of air service since deregulation of the airline industry in 1978.

The results of the GAO study, indicated that overall airfares, adjusted for inflation, declined since deregulation. In fact, of the 112 airports in GAO's sample, 73 experienced a decline in fares, with the largest reductions in airports located in the Southwest. Further, Phoenix was at the top of the list of airports experiencing reduced fares with a 32.4 percent decrease.

Also mentioned in this report was the increase in operations, primarily in the West, of new airlines with very low operating costs. As a result, these low cost airlines were able to charge lower fares and caused competitive responses from the large carriers. According to Appendix I of this study, Phoenix as of 1994 was found to have lower fares, more departures, more seats, more non-stop options, more one-stop options and more jets since deregulation.

The following pages of information compare Phoenix Sky Harbor International Airport's airfares with other airports of similar size or located geographically near Phoenix. The information provided is based on data prepared in compliance with Section 155 of Pub L. 106 -181 and was provided by the Department of Transportation. This "Origin and Destination Study" is located on the web at: <http://ostpxweb.ost.dot.gov/aviation>. Data provided in the "Origin and Destination Study", utilized for comparison, includes the following three tables:

Table 1: Competitor Detail by Airport – Table 1 consists of a list of carriers present in each summarized airport market, along with each carrier's local passenger traffic, average fare, average nonstop trip length, and market at that airport.

Table 2: Airport Market Summary – Table 2 provides passenger numbers, average nonstop trip length, average yield, and a number of city-pair routes summarized by airport. Each airport's city-pair markets were divided according to nonstop distance and the presence of low-fare competition. The data for each airport is presented in the following three ways: divided into short-haul and long-haul groupings, into market grouping with low-fare competition vs. without low-fare competition, and in total.



Table 3: City Pair Detail - Table 3 provides passenger numbers, revenue, non-stop and track mileage, and information on the number and type of competitors in each individual city-pair used in the summary analysis. Distance Block and Density categories are also included for ease of sorting and manipulation.

The two largest air carriers in Phoenix are Southwest and America West. According to the data provided in Table 1, America West (HP) holds a 24 percent market share, an average trip length of 925 miles, an average fare of \$128.26 or 14 cents per mile. Southwest (WN) holds a 33 percent market share, an average trip length of 639 miles, an average fare of \$ 91.01 or 14 cents per mile. For all airlines listed in Table 1 for PHX, the average trip length was 1,030 miles, the average fare was \$137.39 or 13 cents per mile.

Shown below, utilizing data from Table 1: The average airline fare at Phoenix (PHX) compared with several other comparable airports.

AIRPORTS	AVERAGE FARE PER MILE
DEN	20 cents
DFW	22 cents
IAH	20 cents
LAS	11 cents
LAX	12 cents
PHX	13 cents
SEA	13 cents
SLC	15 cents

Shown below, utilizing data from Table 1: the same airports as above, utilizing the closest mileage to 1000 miles listed for each airport in the table.

AIRPORT	TRIP LENGTH	AVERAGE FARE	AVERAGE FARE PER MILE
DEN	998	\$219.31	22 cents
DFW	990	\$195.47	20 cents
IAH	951	\$196.93	21 cents
LAS	1118	\$141.23	13 cents
LAX	972	\$127.86	13 cents
PHX	925	\$128.26	14 cents
SEA	866	\$ 92.90	11 cents
SLC	965	\$156.20	16 cents



Shown below, utilizing Table 1 data: The same airports as above and the average fare per mile based on the shortest trip length listed on the table:

AIRPORT	TRIP LENGTH	AVERAGE FARE	AVERAGE FARE PER MILE
DEN	756	\$137.03	18 cents
DFW	659	\$ 90.72	14 cents
IAH	287	\$ 84.18	29 cents
LAS	488	\$ 75.46	15 cents
LAX	433	\$ 71.05	16 cents
PHX	639	\$ 91.01	14 cents
SEA	745	\$118.33	16 cents
SLC	625	\$ 90.02	14 cents

Shown below, utilizing Table 2: The average yield at Phoenix (PHX) compared with several other comparable airports for Short Haul (750 Miles or Less)

AIRPORTS	AVERAGE YIELD
DEN	29 cents
DFW	28 cents
IAH	28 cents
LAS	23 cents
LAX	20 cents
PHX	19 cents
SEA	17 cents
SLC	19 cents

Shown below, utilizing Table 2: The average yield at Phoenix (PHX) compared with several other comparable airports for Long Haul (Over 750 Nonstop Miles)

AIRPORTS	AVERAGE YIELD
DEN	18 cents
DFW	21 cents
IAH	19 cents
LAS	09 cents
LAX	11 cents
PHX	12 cents
SEA	12 cents
SLC	13 cents



Shown below, utilizing Table 2: The average yield at Phoenix (PHX) compared with several other comparable airports for All Stage Lengths

AIRPORTS	AVERAGE YIELD
DEN	19 cents
DFW	22 cents
IAH	20 cents
LAS	11 cents
LAX	12 cents
PHX	13 cents
SEA	12 cents
SLC	15 cents

Shown below, utilizing Table 3: Phoenix (PHX) city-pairs compared with other airports within a similar distance block and comparable density for the same destination city.

ORIGIN	DESTINATION	TOTAL PAX	TOTAL MILES	REVENUE	REVENUE PER MILE
LAX	DCA	156,600	2,311	34,534,500	10 cents
PHX	DCA	80,810	1,979	18,081,120	11 cents
SEA	DCA	108,750	2,329	25,058,000	12 cents

ORIGIN	DESTINATION	TOTAL PAX	TOTAL MILES	REVENUE	REVENUE PER MILE
LAS	IAD	78,850	2,066	22,244,400	14 cents
LAX	IAD	633,260	2,288	190,795,350	13 cents
PHX	IAD	82,810	1,956	24,014,640	15 cents
SEA	IAD	161,740	2,306	61,434,100	16 cents
SLC	IAD	111,590	1,827	26,608,140	13 cents

ORIGIN	DESTINATION	TOTAL PAX	TOTAL MILES	REVENUE	REVENUE PER MILE
DEN	RNO	73,250	804	14,157,300	24 cents
LAS	RNO	588,870	345	35,673,560	18 cents
LAX	RNO	365,040	390	28,144,000	20 cents
PHX	RNO	199,290	601	18,106,280	15 cents

ORIGIN	DESTINATION	TOTAL PAX	TOTAL MILES	REVENUE	REVENUE PER MILE
DEN	SAT	107,160	794	21,903,310	26 cents
LAS	SAT	210,580	1,069	25,792,690	11 cents
LAX	SAT	164,760	1,210	25,141,120	13 cents
PHX	SAT	124,730	843	16,914,250	16 cents
SLC	SAT	56,400	1,086	8,931,990	15 cents



ORIGIN	DESTINATION	TOTAL PAX	TOTAL MILES	REVENUE	REVENUE PER MILE
DEN	SEA	476,050	1,024	92,182,350	19 cents
DFW	SEA	302,730	1,660	85,405,870	17 cents
IAH	SEA	159,960	1,874	35,945,000	12 cents
LAS	SEA	721,380	866	72,795,840	12 cents
LAX	SEA	1,094,410	954	137,841,780	13 cents
PHX	SEA	611,380	1,107	78,824,220	12 cents

ORIGIN	DESTINATION	TOTAL PAX	TOTAL MILES	REVENUE	REVENUE PER MILE
DEN	TPA	182,760	1,506	34,858,200	13 cents
LAS	TPA	215,840	1,984	31,021,700	07 cents
LAX	TPA	236,260	2,158	47,494,720	09 cents
PHX	TPA	120,950	1,788	20,943,700	10 cents
SEA	TPA	109,670	2,520	18,567,740	07 cents

Based upon the data provided to complete this study, Phoenix airfares overall are competitive in all cases, and in many cases lower than comparable airports.



CHAPTER 10: THE FUTURE

When Phoenix Sky Harbor International Airport submitted its first Competition Plan in July 2000, growth was in the eight (8) percent range. Unfortunately, the effects of September 11th have had a negative impact on Airport operations and enplaned passengers.

- Enplaned passengers dropped from 17,619,143 in 2000 to 17,568,859 in 2001, a decrease of 0.2 percent.
- Total passengers for this period dropped from 36,044,635 in 2000 to 35,439,031 in 2001, a decrease of 1.7 percent.
- Operations dropped from 579,816 in 2000 to 553,310 in 2001, a drop of 4.6 percent.

The Airport is currently updating its forecasts, in conjunction with the FAA, and will assess the impacts of September 11th. We will have a clearer picture when this effort is complete of the point in time that gate availability is predicted to become more limited.

Currently, the Airport has sufficient capacity to satisfy the needs of both new and incumbent airlines. Some gates are not being fully utilized. Some development projects that were previously scheduled have been put on hold indefinitely. Other projects are in design. Each is being carefully scrutinized before a decision is made on whether to proceed to the construction phase.

Prior to September 11th, projected growth figures provided in Phoenix Sky Harbor International Airport's Competition Plan estimated that the Airport would service approximately 45 million passengers within 10 years and between 50-60 million passengers within 20 years. A recent forecast completed for the Maricopa Association of Governments provides for more conservative growth with predicted passenger enplanement figures ranging between 28,236,600-36,283,100 by 2025. This same forecast predicts operations to be between 673,300-841,000 for the same period.

Airport staff continues to face some complex decisions and challenges. Although projected growth may not take place as quickly as was previously reported, Airport staff is confident that the growth will take place. Although the growth may be delayed for 18-24 months, when it transpires, the passenger processing facilities and aircraft gate capacity will be inadequate to support the increased demand. Airport staff continues to plan for the delivery of required facilities to satisfy the demand while working in close coordination with the all airlines and the FAA to provide both new entrant and incumbent airlines with an environment that is fair and equitable.



Increasing Capacity – Short Term

Listed below is an update to the opportunities that were presented in Phoenix Sky Harbor International Airport's original Competition Plan. When required, these opportunities will provide additional gate capacity for the airlines.

Updates on two opportunities previously identified in Phoenix Sky Harbor International Airport's Competition Plan for Terminal 4:

- ◆ **N-1 Concourse:** The construction of a new AARF Station #19 is underway. After the original Station 19 is vacated, the site can be demolished which will allow the completion of the N-1 Concourse at Terminal 4. The completion of this concourse will provide two additional gates. This project is currently on hold but could be initiated immediately if there was a need for these gates.
- ◆ **S-2 Concourse:** The future S-2 Concourse will be located on the south side of Terminal 4. Although this project is also on hold due to the events of September 11th, the design contract is approximately 15 percent complete. Upon completion of construction the concourse, will provide nine gates.

New opportunity since the submission of Phoenix Sky Harbor International Airport's Competition Plan:

- ◆ **S-1 Concourse:** The opportunity for an additional concourse now exists at Terminal 4 since a tenant that performed aircraft maintenance has now relocated their operation to a reliever airport. Once the maintenance hangar is demolished and environmental work is performed on the site, the S-1 Concourse could be constructed. This concourse will be located west of the proposed S-2 concourse also on the south side of Terminal 4. Due to the events of September 11th, the demolition and design for this concourse is also on hold.



Updates on an opportunity previously identified in Phoenix Sky Harbor International Airport's Competition Plan for Terminal 3:

- ◆ **Interim Concourse:** Although design has been completed for this project, the project is also on hold. It was originally planned that construction would not be take place until a need actually arose. The design of the concourse is at ground level and will be built on a concrete slab. It can be constructed in 90-120 days, although Airport staff is still considering if the project might be done as an "as built" if the project needs to be expedited. At completion, the interim concourse will offer three or four additional gates.



Phoenix Sky Harbor International Airport Draft Master Plan

As mentioned in Phoenix Sky Harbor International Airport's Competition Plan, the Airport's Draft Master Plan was completed in April 2000. It included a Recommended Master and Land Use Plan (Plan) which serves as a guide for Airport capacity enhancements that would be needed projected through the year 2015 and beyond.

Land Acquisition: Although new property acquisitions in this area have been terminated because of the financial impacts of September 11th, a total of 67 properties have been purchased to date.

Airfield: Construction for Runway 7R-25L has been completed. Reconstruction of Runway 8-26 from asphalt to concrete has also been completed. This project included a displaced threshold, an extension of the Runway Protection Zone, and numerous high-speed taxiway exits. Planned reconstruction of Runway 7L-25R and associated taxiways will take place during 2002.

Passenger Terminal Complex: Airport staff has been working with the FAA in the completion of an Environmental Impact Statement for the proposed West Terminal and associated projects. The FAA is currently designing new ATCT and TRACON facilities to be constructed to the east side of the Terminal 3 parking garage. The Airport Operations Center expansion is underway and will be completed by the end of calendar year 2002. A project to expand the Emergency Operations Communications Center is on hold due to the events of September 11th. Two new AARF stations are being constructed. AARF Station #19 is being constructed in the center of the Airport, on the south side adjacent to Taxiway Tango. AARF Station #29 is a new facility that is being constructed on the northeast side of the airfield, north of Taxiway Alpha. Plans for an Automated People Mover remain active and Airport staff is awaiting a decision from the FAA concerning whether the project will be incorporated into the EIS.

Access Roadways and Ground Transportation: The realignment of Sky Harbor Boulevard is included in the Environmental Impact Statement for the new West Terminal. There are no current plans to relocate the Southern Pacific Railroad. An area on Washington and 22nd Street, northwest of the Airport, has been identified as a probable site for a Light Rail Transit Station. The proposed Automated People Mover will connect with this station at some point in the future.

Air Cargo, Airline Support, and Airport Support: The area known as South Air Cargo supports United Parcel Service, Federal Express and the U.S. Customs Service. A project to complete renovations to the existing West Cargo Area is on hold due to the events of September 11th.



General Aviation: The Airport has two FBOs on the field. One of the FBOs, now located on the north side of the airfield, will be relocating to an area on the south side of the airfield very close to the second FBO. This will help to keep most of the general aviation traffic contained on the south side of the Airport.

Military: The Arizona National Guard facility, completed as part of the construction of Runway 7R-25L, is nearly complete. The one remaining item is the removal of the fuel bladders that were set up temporarily to provide fuel to the KC135s until their fuel system was up and running.

Future Airport Development/Buffer: The Airport completed a new Part 150 Study that was approved by the FAA on September 7, 2001. All 32 program measures were approved.

The three main components to the Airport's Part 150 include:

- Noise Mitigation Element
- Voluntary Land Acquisition/Property Exchange
- Residential Sound Assistance Program (RSAP)/Sound Insulation



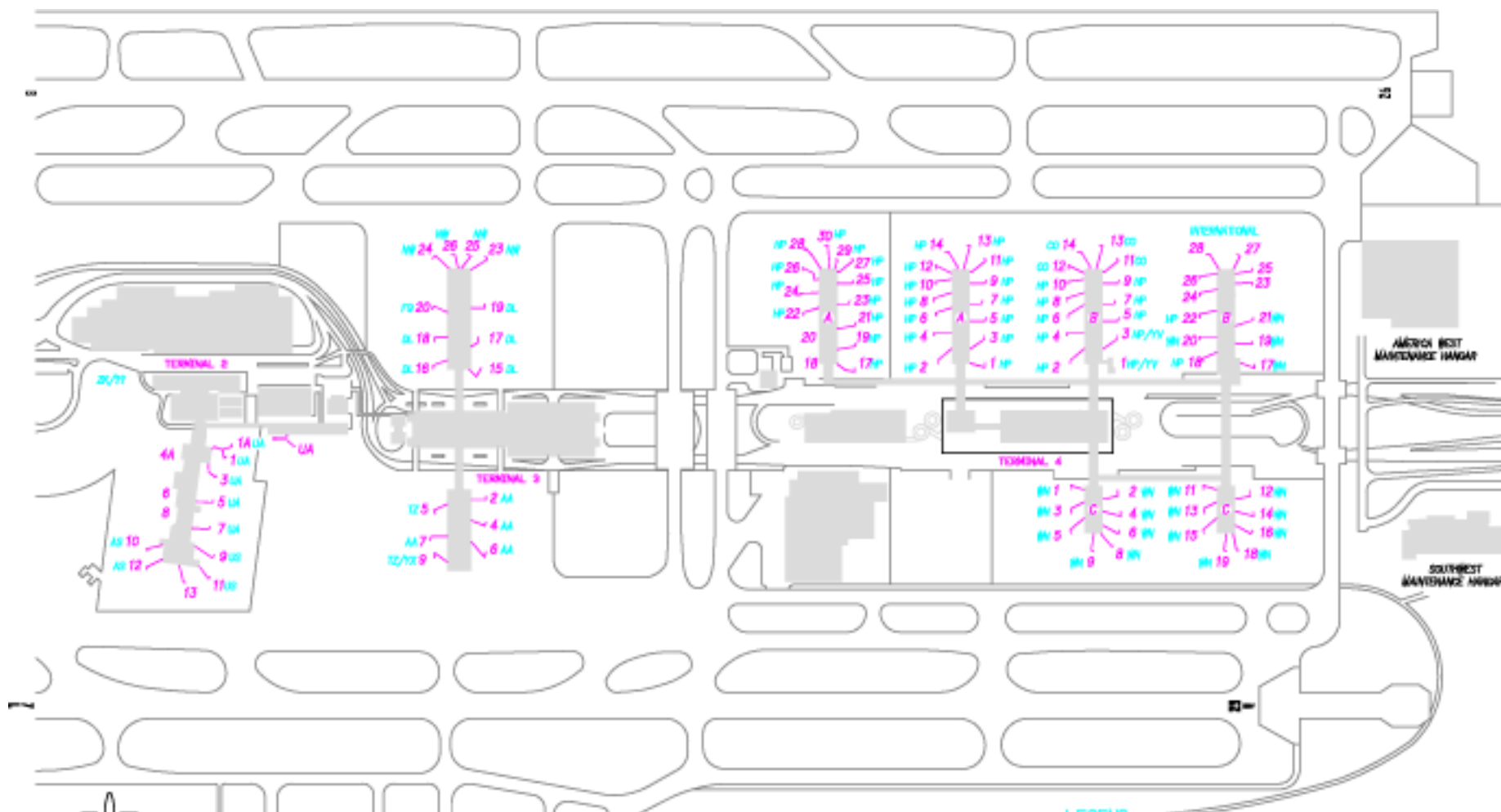
West Terminal Development

Airport staff and the FAA have been working for approximately one year on an Environmental Impact Statement for the proposed West Terminal. Phase I of the process was recently completed and the process is now entering Phase II, commonly referred to as the Draft EIS Phase. Airport staff estimates that it will be about 2-3 years before a Record of Decision is issued for the project.



APPENDIX A: AIR CARRIER GATE PLAN






FEBRUARY 2002
 CHD: M JONES

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT AIR CARRIER GATE PLAN

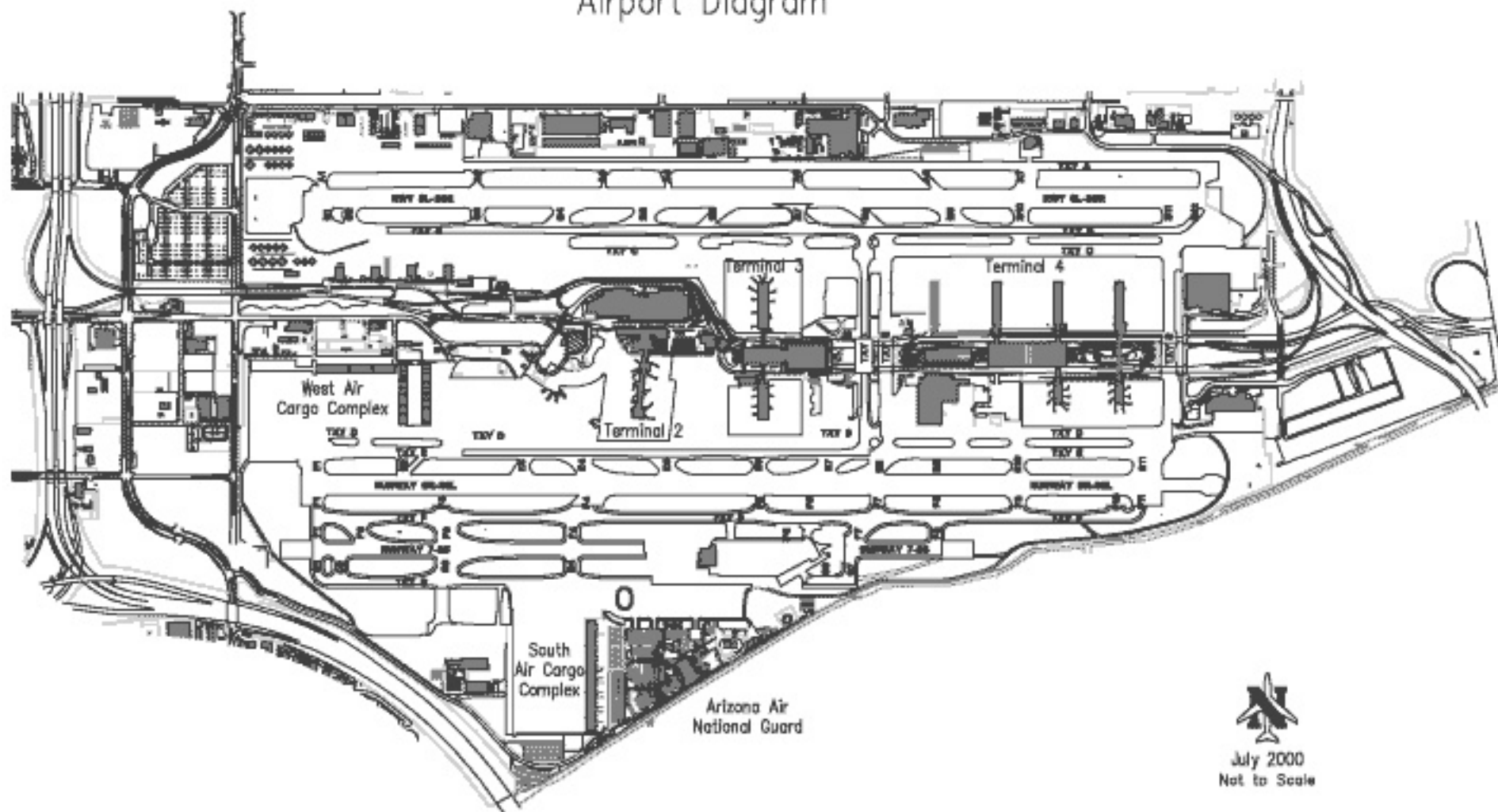
LEGEND

PE - ARIZONA EXPRESS	TZ - AMERICAN TRANS AIR
AA - AMERICAN	UA - UNITED
AS - ALASKA	US - USAIRWAYS
CO - CONTINENTAL	BN - SOUTHWEST
DL - DELTA	YV - MESA AIR
F9 - FRONTIER	YX - MIDWEST EXPRESS
NP - AMERICA WEST	ZK - GREAT LAKES AVIATION
NH - NORTHWEST	

APPENDIX B: SKY HARBOR AIRPORT DIAGRAM



Phoenix Sky Harbor International Airport Airport Diagram



APPENDIX C: FUTURE WEST TERMINAL DEVELOPMENT



Site Location: West Terminal

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

Approximately 250 acres

Bounded by Taxiways S & T (east), planned Taxiway Z (west) and existing north and south airfield complexes

Accommodates future air cargo demands to the west (as determined in the West Airport Development Study)



APPENDIX D: AIRPORT IMPROVEMENT PROGRAM GUIDANCE LETTER





U.S. Department
of Transportation
**Federal Aviation
Administration**

800 Independence Ave., S.W.
Washington, D.C. 20591

MAY 10 2000

Dear airport sponsor:

Enclosed please find a copy of Airport Improvement Program (AIP) program guidance letter (PGL) 00-03, which provides guidance on FAA implementation of section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, Pub. Law 106-513. Section 155 prohibits, effective October 1, 2000, the FAA from making AIP grants to or approving a PFC for medium and large hub airports at which one or two carriers control more than 50 percent of passenger boardings (covered airport), which has not submitted a competition plan in accordance with section 155's provisions.

Based on CY 1998 enplanement data, the FAA has identified 41 airports that qualify as covered airports, as reflected in the Appendix to PGL 00-03. We are providing a copy of the PGL to all medium and large airports, as well as the largest small-hub airports, so that you will be prepared to submit a competition plan if operational changes at your airport cause it to qualify as a covered airport. As is reflected in the PGL, the FAA will endeavor to review CY 1999 enplanement data by July 1 and to make any adjustments to the list of covered airports.

The PGL contains information on the filing, FAA review and sponsor updating of plans, as well as suggestions for information to be included in an airport's plan. As is noted in the PGL, the suggestions for information should be considered illustrative, and each airport should tailor its competition plan to reflect the unique nature of business at its airport.

For those airports that will need to submit a competition plan for FY 2001, please note that the FAA has not established a filing deadline for competition plans. However, as reflected in PGL 00-03, we anticipate that review of the plans could require up to 60 days.

If you have any further questions regarding the competition plan requirement, please contact Barry L. Molar, Manager Airports Financial Assistance Division (APP-500) at (202) 267-3831.

Sincerely,

Catherine M. Lang
Director, Office of Airport Planning
and Programming



U.S. Department
of Transportation
Federal Aviation
Administration

Memorandum

Subject: **ACTION:** Program Guidance Letter 00-3

Date: MAY 18 2000

From: Manager, Airports Financial Assistance
Division, APP-500

Reply to
Attn. of:

To: PGL Distribution List

00-3.1 Requirement for Airline Competition Plans – Jim Borsari (202)267-3831

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub. L. 106-181, April 5, 2000 contains section 155 that requires the submission of a competition plan by certain large and medium hub airports in order for a new Passenger Facility Charge (PFC) to be approved for collection or a grant to be issued under AIP beginning in Fiscal Year 2001. Section 155 amends both sections 47106 and 40117 of title 49, United States Code and as a result, there are slight differences in how competition plans will be handled depending on which program (AIP or PFC) is providing the approval.

For example, the amended section 40117 (the PFC portion of the statute) requires submission of the plan and Secretarial review of the plan for sufficiency before imposition of a PFC. Amended section 40117 also provides that the Secretary shall periodically review plan implementation to ensure that each airport successfully implements its plan. However, the amended section 47106 (the AIP portion of title 49) prohibits the approval of a PFC or the execution of a grant under AIP unless the airport has submitted a written competition plan conforming to the requirements of section 155. Accordingly, some level of review is needed for both AIP and PFC approval. Therefore, to provide time for necessary reviews under the AIP or PFC program, affected public agencies would need to submit the plan prior to Fiscal Year 2001 in order to permit the timely collection of new PFCs derived from PFC authority approved after April 5, 2000, and issuance of entitlement and/or discretionary AIP grants beginning October 1, 2000.

As background, the Department of Transportation issued a report entitled "Airport Business Practices and Their Impact on Airline Competition." This report can be viewed online by using the link at <http://www.faa.gov/arp/530home.htm>. Airport sponsors and public agencies should be strongly encouraged to review this report during the development of the competition plan.

Each airport needs to tailor a competition plan to reflect the unique nature of business at its airport. This competition plan should display the level of detail and complexity necessary to reflect the competitive circumstances at an airport as well as that airport's role in the national aviation system. This program guidance letter is intended to identify the statutory requirements for the plan as well as a general guideline for the types of information that should be considered. This is not intended to restrict the contents of the plan to the approach contained in this letter, as it only represents one of several possible approaches. While we encourage airports to provide the general types of information we request, we are not requiring that each airport address each of the topics. In developing their plans, public agencies may find it useful to consider the statutory finding and legislative history set forth below, in addition to the specific statutory requirements for the competition plans.

Statutory Finding

"Major airports must be available on a reasonable basis to all carriers wishing to serve those airports." Pub. L. 106-181, sec.155(a)(1).

Legislative History

"The underlying purpose of the competition plan is for the airport to demonstrate how it will provide for new entrant access and expansion by incumbent carriers. By forcing the airport to consider this, it would be more likely to direct its AIP and PFC money to that end." H. Rpt. 106-513 .

Statutory Requirements.

"Beginning in fiscal year 2001, no passenger facility fee may be approved for a covered airport under section 40117 and no grant may be made under this subchapter for a covered airport unless the airport has submitted to the Secretary a written competition plan in accordance with this subsection.

"CONTENTS.—A competition plan under this subsection shall include information on the availability of airport gates and related facilities, leasing and subleasing arrangements, gate-use requirements, patterns of air service, gate-assignment policy, financial constraints, airport controls over air- and ground-side capacity, whether the airport intends to build or acquire gates that would be used as common facilities, and airfare levels (as compiled by the Department of Transportation) compared to other large airports.

"COVERED AIRPORT DEFINED.—In this subsection, the term 'covered airport' means a commercial service airport—

"(A) that has more than .25 percent of the total number of passenger boardings each year at all such airports; and

"(B) at which one or two air carriers control more than 50 percent of the passenger boardings." Pub. L. 106-181, sec. 155(b).

Covered Airports.

In compiling a list of covered airports, we intend to use the enplanement information consistent with the annual apportionment of passenger entitlements. The list for a fiscal year will be based upon the data collected for the most recent calendar year (e.g., the list for FY 2001 will be based upon CY 1999 enplanements). A preliminary list to permit airports to initiate plan development is attached. This list is based upon CY 1998 information and the final list should be updated in July 2000. For the purposes of this list, we have determined that an "air carrier" includes all affiliated or subsidiary airlines operating under a single certificate of public convenience and necessity issued by the Secretary of Transportation under 49 U.S.C. 40112.

Typical Competition Plan Information.

The following items may be considered in the development of the competition plan. The items are identified in the same order and using the same headings as contained in the statutory provision. The FAA would consider a competition plan that includes these items to meet the requirements of section 155. Public agencies are invited to offer and justify alternative approaches to developing a competition plan.

1. Availability of gates and related facilities (identify or describe).
 - Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common use.
 - Gate-use monitoring policy.
 - Differences, if any, between gate-use monitoring policy at PFC-financed facilities, facilities subject to PFC assurance #7, and other gates.
 - Has the PFC competitive assurance #7 operated to convert previously exclusive-use gates to preferential-use gates or has it caused such gates to become available to other users?
 - Gate utilization (departures/gate) per week and month.
 - Policy regarding "recapturing" gates that are not being fully used.

- Use/lose or use/share policies for gates and other facilities.
- Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport; methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates); and length of time between when an air carrier initially contacts the airport and could begin serving it.
- How are complaints of denial of reasonable access by a new entrant or an air carrier that wants to expand service resolved?
- Number of carriers in the past year that have requested access or sought to expand, how were they accommodated, and the length of time between any requests and access.

2. Leasing and subleasing arrangements (identify or describe).

- Whether a subleasing arrangement with an incumbent carrier is necessary to obtain access.
- How the airport assists requesting airlines obtain a sublease.
- Airport oversight policies for sublease fees and ground-handling arrangements.
- Airport policies regarding sublease fees (e.g., no more than 15 percent above the standard airport-determined fee).
- How complaints by subtenants about excessive sublease fees or unneeded bundling of services are resolved.
- How independent contractors who want to provide ground handling, maintenance, fueling, catering or other support services but have been unable to establish a presence at the airport are accommodated.
- Are formal arrangements in place to resolve disputes among air carriers regarding the use of airport facilities?

3. Patterns of air service (identify or describe).

- Number of markets served.
- Number of markets served on a non-stop basis. Average number of flights per day.
- Number of small communities served.
- Number of markets served by low-fare carriers.
- Number of markets served by one carrier.
- Number of new markets added or previously served markets dropped in the past year.

4. Gate assignment policy (identify or describe).

- Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include

standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements.

- How announcements are made to tenant air carriers when gates become available. Do all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time?
- New policies that have been adopted or actions that have been taken to ensure that new entrant carriers have reasonable access to the airport and that incumbent carriers can expand their operations.

5. Financial constraints (identify or describe).

- The major source of revenue at the airport for terminal projects.
- Rates and charges methodology (residual, compensatory, or hybrid).
- Past use, if any, of PFC's for gates and related terminal projects.

6. Airport controls over airside and groundside capacity (identify or describe).

- Majority-in-interest (MII) or "no further rates and charges" clauses covering groundside and airside projects.
- List any capital construction projects that have been delayed or prevented because an MII was invoked.
- Plans, if any, to modify existing MII agreements?

7. Whether the airport intends to build or acquire gates that would be used as common facilities (identify or describe).

- The number of common-use gates available at the airport today.
- The number of common-use gates the airport intends to build or acquire (specify) and timeline. Intended financing arrangements for these common-use gates.
- Are any air carriers that have been serving the airport for more than three years relying exclusively on common-use gates?
- Whether common-use gates will be constructed in conjunction with gates leased through exclusive- or preferential-use arrangements.
- Whether gates being used for international service are available for domestic service.

- Do air carriers that only serve domestic markets now operate from international gates?
8. Airfare levels compared to other large airports. Information about airfare levels compared to other large airports is available at [http://ostpxweb.dot.gov/aviation\(Airport Competition Plan Data\)](http://ostpxweb.dot.gov/aviation(Airport%20Competition%20Plan%20Data)). Any questions about this database should be directed to Ms. Anita Edwards, Office of Aviation Analysis, DOT (202-366-0293).

Airport managers may submit the following data:

- Summarized data for the airport showing each carrier's local passengers, average fares, market share (based on passengers), and average passenger trip length. This information will be provided for the current year and, subsequently, trended as DOT makes more current information available. (Source: Table 1 of data provided by DOT)
- Summarized data for the airport showing local passengers, average passenger trip length, average passenger yield, and number of city-pair markets served disaggregated by distance (distinguishing between markets of 750 miles or less and markets over 750 miles), and depending upon whether or not a low-fare competitor is present. Compare to other airports that have similar average passenger trip lengths, for short distance markets, long distance markets, or in total. (Source: Table 2 of data provided by DOT)
- Additional information that is pertinent to particular circumstances at individual airports, and may not be apparent in the summarized information. For instance, fare trends at an airport may be influenced by changes in market mix, rather than just changes in price. Fare differences between airports may reflect differences in density or other factors as well as differences in distance. Table 3 of data provided by DOT provides for each city-pair market that is included in the summary data (markets involving an eligible medium or large hub airport that averaged 10 or more passenger a day) the following information: number of passengers, passenger revenue, nonstop and track mileage, and information on the number and type of competitors.

Periodic Updates to the Plan.

As identified above, the statute provides for the periodic review of the competition plans for PFC purposes and the FAA needs updated plans for action on subsequent PFC applications. In addition, FAA must have a current competition plan to issue each AIP grant. In an effort to minimize resource impacts, airports can satisfy these requirements by submitting updates to previously submitted plans rather than full competition plans. Also, since an airport may receive more

than one grant in a fiscal year, FAA will consider a plan or update to be current for an entire fiscal year.

In order for the Secretary to satisfy the statutory requirement to review implementation and for an airport to keep its plan current, it will be necessary for public agencies and covered airports to provide an annual update to their plan before the FAA can approve new PFC authority or process entitlement/discretionary grants.

In this section, we are identifying the information that would be considered typical for such an update. The updated plans should provide the analytic support needed for the airport to demonstrate how, over the past year, it has ... "provided for new entrant access and expansion of incumbent carriers." Similar to the case of the original competition plan, the update should be tailored to the circumstances of an airport and this information represents only one approach to the updates. For any information where there has been no change or no significant change, a simple negative declaration would be sufficient.

The information below also is identified by the same headings as the competition plan above.

1. Availability of gates and related facilities -- the airport could identify or describe changes relating to:
 - (a) number and identity of any air carriers that have begun providing or stopped service;
 - (b) number of new gates that have been built or are now available;
 - (c) the number of gates that have been converted to common use status [note: this also applies to the common use gate category];
 - (d) gate utilization;
 - (e) gate recapture; or
 - (f) accommodation of new entrants and incumbent carriers seeking to expand at the airport and resolution of any access disputes.
2. Leasing and subleasing arrangements -- the airport could identify or describe any major changes in:
 - (a) contractual arrangements at the airport, for example, disposition of any gate lease agreements that were renewed or changed;
 - (b) assuring access at the airport;
 - (c) monitoring sublease fees; or
 - (d) promoting the use of third-party contractors.
3. Patterns of air service -- the airport could identify changes relating to new markets served, new markets served by low fare carriers, or the number of markets served by one carrier.

4. Gate assignment policy -- major changes should be identified.
5. Financial Constraints -- airports could identify any additional financial constraints from the previous year or the relaxation of any financial constraints.
6. Airport controls over airside and groundside capacity -- the airport should identify any major changes in its rates and charges policy and describe whether and why the MII clause has been invoked in the past year.
7. Whether the airport intends to build or acquire gates that would be used as common facilities -- airports could provide any updates to plans for additional gates as common facilities.

Plan Submittal.

Covered airports should be advised to provide their competition plans and updates, in triplicate, to the appropriate regional or airports district office. Two copies of the submitted plan or update should be sent to APP-1 for further processing. Airports should also be advised that failure to provide an acceptable plan in a timely manner will affect the ability of the FAA to issue a grant or approval to collect a PFC. Review may take up to 60 days.

Plan Review Process.

Plans will be reviewed by a joint OST/FAA team to determine that the plan satisfies the statutory requirements. Plan acceptance and/or deficiency identification will be communicated to the airport involved by APP-1 with a copy to the servicing region.

Additional PFC Information.

Since the competition plan is not required as the result of PFC approvals prior to April 5, 2000, a covered airport (if it does not seek AIP grants) will not need to submit a plan unless it seeks new PFC authority subject to FAA approval. For the purposes of this guidance, such new PFC authority would be an increase in PFC level (\$3 to \$4.00 or \$4.50) and/or new collection authority applied for through an application or an amendment under 14 CFR Part 158.37(b). If no competition plan is submitted by a covered airport, only PFC authority approved prior to April 5, 2000 (as amended under 14 CFR Part 158.37(a), which does not require FAA approval) could be collected in and after FY 2001. Once this authority is exhausted, no subsequent authority could be implemented in FY 2001 and thereafter until successful submittal of the competition plan. Moreover, the FAA could not approve such authority if the approval action would take place on or after October 1, 2000, and a plan had not been submitted.

For example, in FY 2001, a public agency may seek to increase its previously approved PFC collection authority by more than 15 percent through an amendment under 14 CFR Part 158.37(b). Whereas the previously approved collection authority would have expired in December 2003, the amendment would extend collection authority to December 2004. FAA could not approve the new collection authority attributable to the amendment unless a competition plan had been submitted. However, the public agency could continue to collect the PFC under the original authority until it expires in December 2003, even without submitting a plan. In addition, the public agency could implement a 15 percent or less increase in FY 2001 or afterwards under 14 CFR Part 158.37(a) without a competition plan, because this type of amendment is not subject to FAA approval.

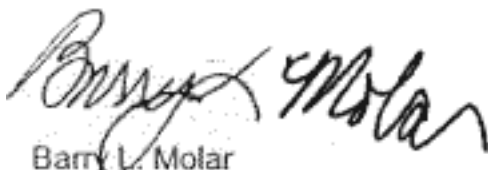
In order to minimize submittal requirements, airports submitting plans to satisfy AIP requirements will be considered to have satisfied PFC requirements and will not be required to resubmit its competition plan as part of a PFC application.

Plan Development Eligibility.

Competition plans and updates are eligible for AIP and/or PFC funding as master planning. Additionally, the scope of work for full master planning studies and updates for the full study must include a competition plan development or update as part of the effort (if the studies or updates include a review of terminal development). However, this requirement would not apply to master planning efforts that are either minor in scope or that are occurring at times that would create a duplication of effort with recently completed plans or updates.

Distribution of Guidance.

ARP will distribute a copy of this PGL via letter to each large and medium hub airport, and to those small hub airports that approached the level of enplanements necessary to qualify as a medium hub, based on CY 1998 enplanement data. A further letter will be issued in July and each July thereafter when the final list is completed.



Barry L. Molar

Attachment

ATTACHMENT

Large and Medium Hubs At Which 1 or 2 Air Carriers Control More Than 50% Of Passenger Boardings

LARGE HUBS

Atlanta, GA
Baltimore, MD
Charlotte, NC
Chicago, IL (O'Hare)
Covington, KY (Cincinnati, OH)
Dallas/Fort Worth, TX
Denver, CO
Detroit, MI
Houston, TX (Bush Intercontinental)
Loudon, VA (Washington Dulles)
Miami, FL
Minneapolis, MN
Newark, NJ
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
St. Louis, MO
Salt Lake City, UT
San Francisco, CA

MEDIUM HUBS

Albuquerque, NM
Austin, TX
Burbank, CA
Chicago, IL (Midway)
Cleveland, OH
Dallas, TX (Love Field)
El Paso, TX
Houston, TX (Hobby)
Jacksonville, FL
Kahului, HI
Louisville, KY
Memphis, TN
Nashville, TN
Oakland, CA
Ontario, CA
Providence, RI
Reno, NV
Sacramento, CA
San Antonio, TX
San Jose, CA
San Juan, PR
West Palm Beach, FL

Source: DOT/FAA "Air Carrier Activity Information System" (ACAIS)
database for CY 1998.

APPENDIX E: SKY HARBOR INTERNATIONAL AIRPORT NEW ENTRANT AIRLINE INFORMATION PACKET

CONTENTS

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LIST – SKY HARBOR INTERNATIONAL AIRPORT AIRLINE STATION MANAGERS	E5
CLASS SCHEDULE – SECURITY AND DRIVER’S PERMIT	E6
SAMPLE LETTER OF AUTHORIZATION (Terminal Space Lease)	E7 – E9
NPDES AMENDMENT (Storm Water Permit)	E10 – E14
AIRLINE INSURANCE REQUIREMENTS	E15 – E18
SAMPLE PERFORMANCE BOND	E19 – E20



PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

AIRLINE OPERATING INFORMATION

AVIATION DEPARTMENT: The Business and Properties Office is your principal contact point with the Aviation Department. The Deputy Director for Business and Properties is Paul Blue. He can be reached at 602/273-3346 (phone) and 602/273-4083 (FAX). Mike Jones is the Airline Affairs contact responsible for leasing terminal space and will coordinate any requests for services you may have. Mr. Jones can be reached at 602/273-3359. A secondary contact for Mr. Jones is his assistant, Jennifer Mack. She can be reached at 602/273-4014.

EMPLOYEE PARKING: Arrangements can be made for employee parking by contacting Barbara Garcia, in Operations, at 602/273-2735.

FOOD & BEVERAGE: CA One Services, Inc. has the exclusive food and beverage concession in Terminal 2, while HMS Host has the exclusive agreement for Terminals 3 and 4. Local contacts for these companies are:

CA One Services, Inc.	Bill Higgins	602/273-4734
HMS Host	Terry Ell	602/275-1721

FUELING: The following is a list of companies currently providing fueling services:

Swift	Kevin Burdette	602/273-7704
Swissport Fueling	Russ Johnston	602/273-3662
Cutter Aviation	Bill Cutter	602/273-1237

For hydrant system fueling information, contact Ken Debony (Arizona Fueling Facility Corporation) at 602/693-4212.

GROUND & PASSENGER HANDLING: The following is a list of companies providing ground handling services:

OAS	Bill Thron	602/273-5160
Servisair	Jerry Ownby	602/303-9200
Globe Ground North America	Laura Rochetto	602/685-1553

IN-FLIGHT CATERING: The companies listed below are currently the only licensed providers of in-flight catering services at Sky Harbor:

Sky Chefs	David Solyts (602) 267-1975
Gate Gourmet	Newman Crane (561) 301-0969

INSURANCE: All air carriers are required to have a minimum of \$25,000,000 in Commercial General Liability insurance. Specific coverages and certificate requirements are shown on the attached insurance information sheet. Contact Mike Jones at 602/273-3359 or Jennifer Mack at 602/273-4014.

INTERNATIONAL CONCOURSE: International Common Use Facilities are available on a per-use basis, and are available for international flights only. The rates for these facilities are adjusted as part of the Rates and Charges program. For current rates, additional information, or to arrange the use of the international facilities, contact Moe Yacut in Operations at 602/275-0366. Each carrier must make it's own arrangements with Customs, Agriculture and Immigration:

Immigration	Debbie Rodriguez	602/379-3490
Agriculture	Carlos Bejarono	602/379-4028
Customs	Scott Sang	602/379-3516

LANDING REPORTS: Reports and fees are due within twenty calendar days following the month being reported. There is a late charge of 1.5% per month. Effective January 1, 2002, the landing fee is \$.98 per 1000 lbs. of gross landing weight (for aircraft over 12,500 lbs.). Additional information is available from Esther Anderson at 602/273-3365. A copy of the required landing report form is enclosed.

SECURITY BADGING: All FAR Part 108 Air Carriers must be in compliance with FAR 108-229. Classes for security badging and airfield driver's permits are shown on the attached class schedule. Call 602/273-2036 to confirm class times.

SECURITY DEPOSIT: Airlines are required to provide a Security Deposit, Letter of Credit, or Performance Bond in an amount equal to three months of expected revenue to the airport, i.e., rent, landing fees, etc. The security instrument is required to be in place for the first year of service at Sky Harbor, or until satisfactory payment history is established, which ever comes second.

SIGNAGE: It is important that you provide a contact person for all of your signage requests. Before making requests for signage, please contact Mike Jones at 602/273-3359, or Jennifer Mack at 602/273-4014. They will assist you with your request. Carol Scher is the Aviation Departments sign coordinator. If you have question of a general nature, Carol can be reached at 602/683-2695.

TENANT IMPROVEMENTS: Airlines are required to adhere to the Aviation Department's Tenant Improvement Process for any improvements they make to their exclusive leasehold space. The Tenant Improvement handbook can be found on our website at www.phxskyharbor.com. You can also call Paul Warren at 602/683-2691 for more information.

TERMINAL SPACE: Effective January 1, 2002, Rates and Charges rental fees per square foot per year:

Terminal 2	\$42.96
Terminal 3	\$48.36
Terminal 4	\$59.16

Air carriers that lease gate holdroom space will have an additional operating cost associated with Joint Use space. The City's Rates and Charges program allocates these costs based on a 20/80 formula. That is, 20% of the Joint Use costs are allocated by dividing the total cost by the number of carriers and 80% of that cost allocated by passenger count.

Contact Business and Properties for terminal space and gate availability (Mike Jones at 602/273-3359 or Jennifer Mack at 602/273-4014). If you share gates with an airline, you are required to submit a copy of your agreement to the Business & Properties Division for Aviation approval. A list of airline station managers is also enclosed.

CITY OF PHOENIX SKY HARBOR INTERNATIONAL AIRPORT LANDING REPORT

AIRLINE

MONTH OF

19

[illegible][illegible]

No. of Domestic Flights
No. of International Flights
No. of Charter Flights

I certify this report to be a true and accurate summary of all landings and statistics as revealed by the official records of this company.

Signed _____ Date _____

Title _____

Please submit to:

CITY OF PHOENIX-AVIATION DEPT.
P.O. BOX ~~70205~~ **78975**
PHOENIX, ARIZ., ~~85062-8205~~ **8975**

**REPORT AND PAYMENT MUST BE RECEIVED BY AVIATION DEPARTMENT
WITHIN TWENTY CALENDAR DAYS FOLLOWING THE MONTH BEING
REPORTED TO AVOID A LATE CHARGE OF 1.5% PER MONTH.**

STATISTICS	<u>ORIGINATING</u>	<u>CONNECTING</u>	<u>DESTINATION</u>	<u>TOTAL</u>
Domestic Passengers				
Int'l Passengers				
Charter Passengers: Domestic				
Int'l				
Freight				
Mail				

**SKY HARBOR INTERNATIONAL AIRPORT
AIRLINE STATION MANAGERS
PHONE LIST**

TERMINAL 2 - 3200 Sky Harbor Boulevard

			<u>PHONE</u>	<u>FAX</u>
(AC)	Air Canada	Ron Klein rklein@aircanada.ca	(303) 348-1636	(303) 348-1639
(AS)	Alaska Airlines	Scott Kimball scott.kimball@alaskaair.com	225-5050	273-7060
(UA)	United Airlines	Michael O'Shaughnessy michael.p.o'shaughnessy@ual.com	683-2080	683-4332
(US)	US Airways	Ron Rhoderick ron_rhoderick@usairways.com	225-5955	225-5997
(ZK)	Great Lakes	Mark Dougherty markzk@juno.com	225-2855	225-2980
	Arizona Express	Sean Kienle	275-4800	480-396-0532

TERMINAL 3 - 3400 Sky Harbor Boulevard

(AA)	American Airlines	Michael Jordan michael.jordan@aa.com	273-4908	273-4895
(DL)	Delta Air Lines	Tom Lazour tom.lazour@delta-air.com	629-6003	629-6008
(NW)	Northwest Airlines/KLM	Bruce Barnhill bruce.barnhill@nwa.com	273-3235	225-5020
(TZ)	American Trans Air	Pat Kelley pat.kelley@iflyata.com	231-0387	231-0388
(F9)	Frontier Airlines	Jacqueline Simpson jsimpson@flyfrontier.com	273-6197	273-6258
(YX)	Midwest Express	Traci Bates tbates@midwest-express.com	244-1066	244-2034

TERMINAL 4 - 3800 Sky Harbor Boulevard

(AM)	Aeromexico	Roger Ahumada rahumada@aeromexico.com	231-8880	231-6427
(BA)	British Airways	Annette Cooper annette.cooper@bausa.com	306-4861	306-4866
(LH)	Lufthansa	David Thomas david.thomas@dlh.de	685-1455	685-1941
(WN)	Southwest	Russ Funk russ.funk@wnco.com	389-3650 Rita 389-3649	286-3656 389-3648
(CO)	Continental	Ron Fohlmeister rfohl@coair.com	586-2210	273-3908
	Mesa Airlines	Ed Gomes ed.gomes@mesa-air.com	(480) 693-2984	(480) 693-3144
(HP)	America West	Larry LeSueur larry.lesueur@americawest.com	(480) 693-3026	(480) 693-2928
		Operations Management	(480) 693-5870	

Mail: 4000 Sky Harbor Blvd.
Phoenix, AZ 85034

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

Security Badging and Airfield Driver's Permit Class Schedule

DAYS	SECURITY CLASS	AIRFIELD DRIVER'S CLASS
Tuesday & Friday	9:00 a.m. to 10:30 a.m.	10:30 a.m. to 12:00 noon
Wednesday & Thursday	1:00 p.m. to 2:30 p.m.	2:30 p.m. to 4:00 p.m.

Please call (602) 273-2036 for class registration and to confirm the class times listed.

All FAR Part 108 Air Carriers must be in compliance with FAR 108-229.

Employees should obtain a study guide from the Operations Center prior to attending the airfield driver's permit class. Study guides must be brought to class.

The Operations Center is located mid-way between Terminal 2 and Terminal 3 on Sky Harbor Boulevard. Please park in the parking garage across from Terminal 2. The Operations Center is within easy walking distance of Terminal 2, or you may take the Terminal Shuttle bus from other parking lots or Terminals. If you choose the Shuttle, it will be necessary for you to request that the driver let you off at the Operations Center. Parking validation is available from the class instructor. Unauthorized vehicles parked in front of the Operations Center are subject to tow.

H:\JMACK\Airlines\Security Class Sked.doc

Date

Name

Title

Airline

Address

City, State, Zip

SUBJECT: LETTER OF AUTHORIZATION, TERMINAL **X** EXCLUSIVE SPACE
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

Dear **Name**:

This letter will establish and formalize the basis upon which your company is authorized to occupy **X** square feet of space in Terminal **X** at Phoenix Sky Harbor International Airport defined as **XXX** and as more particularly shown on Exhibit "A" attached hereto. The space is to be used for operations in connection with your Airlines air transportation business being conducted on the Airport.

Rental payment and adjustments shall be governed by applicable provisions of the Phoenix City Code as may be established from time to time for Terminal **X** under the City of Phoenix Rates and Charges Program as provided by Chapter 4, Article IX of the Phoenix City Code. Rental commencing on **Date**, shall be at the rate of **\$XX.XX** per square foot per year.

The occupancy and rental assessment for the space shown in Exhibit "A" is on a month-to-month basis and any assessment will be submitted to your company in the form of a monthly billing as more particularly outlined in Section 4-173 (D) of the Phoenix City Code as follows:

"D. All rental fees assessed in accordance with the section are due and payable prorated monthly in advance on the first day of each month and are delinquent if not received in the office of the Aviation Director by the tenth day of the month. Rents and fees shall be deemed delinquent and assessed a delinquent account fee in accordance with Section 4-7 of the Phoenix City Code. "

Airline

Date

Page 2

Landing reports and fees are due and payable as provided in Sections 4-176 and 4-178, respectively. Landing fees not paid on time will be considered delinquent and assessed delinquent fees in accordance with Section 4-7 of the Phoenix City Code.

It is understood and agreed that all leasehold improvements constructed on the premises shall become the property of the City of Phoenix upon completion, however, furniture, fixtures and equipment shall remain the property of the Air Carrier.

Your company's occupancy of the identified space and utilization of airport common or public use space shall be in compliance with all relevant and applicable Federal, State and local laws and regulations as currently promulgated or as may from time to time be amended.

Each party (as "indemnitor") agrees to indemnify, defend and hold harmless the other party (as "indemnitee") from and against any and all claims, losses, liability, costs or expenses (including reasonable attorneys' fees) hereinafter collectively referred to as "claims" arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims are caused by the act, omission, negligence, misconduct or other fault of the indemnitor, its officers, officials, agents, employees or volunteers.

The Aviation Department has implemented an Airport Security Plan in a form acceptable to the Federal Aviation Administration pursuant to 14 Code of Federal Regulations Parts 107, 108 and 139. The Aviation Department reserves the right to modify said plan from time to time as it deems necessary to accomplish its purposes. Air Carriers shall at all times comply with the Security Plan and defend, indemnify and hold harmless the City of Phoenix from any violations under Parts 107, 108 or 139 of said Security Plan caused, or alleged to be caused, by the acts, errors or omissions of the Air Carrier, its employees, agents, invitees or contractors.

Airline

Date

Page 3

Please acknowledge receipt of this authorization by signing in the space provided below and keep the copy marked "File Copy" pending receipt of a fully executed copy. The original and two (2) copies should be returned to this office for processing.

Sincerely,

Paul Blue
Deputy Aviation Director

Attachment

c: B&P File

CITY OF PHOENIX,
a municipal corporation
FRANK A. FAIRBANKS, City Manager

By: _____
David Krietor, Aviation Director

APPROVED AS TO FORM

By: _____
City Attorney

ATTEST:

By: _____
City Clerk

AGREED AND ACCEPTED

By: _____

Title: _____

Date: _____

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Date

Name

Title

Airline

Address

City, State, Zip

SUBJECT: LETTER OF AUTHORIZATION NO. X, AMENDMENT NO. 1
NPDES PERMIT COMPLIANCE
CITY OF PHOENIX AVIATION DEPARTMENT

Dear **Name**:

The purpose of this letter is to amend the City of Phoenix's previous Authorization No. X to occupy space in Terminal X dated **Date**. This amendment outlines the National Pollution Discharge Elimination System (NPDES) storm water discharge permit as required by the Environmental Protection Agency, and is effective as of **Date**. The specifics are included in the attached Exhibit A.

All other terms and conditions of the original Letter of Authorization and Amendments not inconsistent with this letter shall remain unchanged and in full force and effect.

Please acknowledge receipt of this Amendment by signing in the space provided below. The original and two (2) copies should be returned to this office for further processing. You may keep the copy marked "File Copy" pending your receipt of a fully executed copy.

Should you have any questions, please contact Jennifer Mack at (602) 273-4014.

Sincerely,

Paul Blue
Deputy Aviation Director

Attachment

c: B&P File

H:\JMack\Airlines\NPDES Amendment.doc

Airline
Date
Page 2

CITY OF PHOENIX,
a municipal corporation
FRANK A. FAIRBANKS, City Manager

By: _____
David Krietor
Aviation Director

APPROVED AS TO FORM

By: _____
City Attorney

ATTEST:

By: _____
City Clerk

AGREED AND ACCEPTED

By: _____

Title: _____

Date: _____

EXHIBIT A

NPDES PERMIT COMPLIANCE

A. Acknowledgments.

1. Air Carrier acknowledges that as a consequence of its activities, operations or location at Phoenix Sky Harbor International Airport (PSHIA) Air Carrier is required by EPA Regulations 40 C.F.R. Part 122 (Regulations) to obtain a National Pollution Discharge Elimination System (NPDES) storm water discharge permit, which requirement Air Carrier can fulfill by: (a) obtaining its own permit; or, (b) joining as a co-permittee in City's Group Permit (the City's Permit").

2. City has obtained a storm water discharge permit, and if Air Carrier is a co-permittee on the City's Permit, Air Carrier acknowledges that it enjoys a substantial economic benefit by joining as a co-permittee, and that such benefit serves as good and sufficient consideration for the obligations imposed upon and assumed by Air Carrier under this Article.

3. City has adopted the "City of Phoenix Aviation Department Storm Water Enforcement Procedures and Civil Penalty Policy" (City's Storm Water Policy) to achieve compliance with federal and local NPDES requirements by the Aviation Department, its tenants and permittees. Air Carrier is subject to the policy as a condition of its Phoenix Sky Harbor International Airport Letter of Authorization (LOA).

4. Air Carrier shall devise and implement Best Management Practice (BMP) or adopt and implement the City's BMP, to minimize the contact of storm and other precipitation event water with "significant materials" (as defined in the Regulations and City Ordinances) generated, stored, handled or otherwise used by Air Carrier, and to document such BMP's with a written storm water management plan.

B. Agreement.

If Air Carrier agrees to be, and is, a co-permittee on City's NPDES storm water discharge permit, and Air Carrier agrees that said Permit, as it is issued by the EPA, and as it may thereafter be amended, modified or otherwise changed, is incorporated by reference into this LOA and any subsequent renewals.

City agrees that, to the extent allowed by law, Air Carrier shall have the right to be removed from City's Permit should this LOA be canceled or terminated for other reasons, or due to Air Carrier's relocation, noncompliance with Permit requirements or exercise of choice; provided that, in no event shall Air Carrier be relieved of its obligation to comply with the requirements of the NPDES permit program with regard to its occupation and use of premises at PSHIA, nor shall Air Carrier be excused from any obligations or indemnifications incurred and owed to City prior to Air Carrier's removal from the Permit, resulting from a failure of Air Carrier to fulfill an obligation of the Permit.

C. Compliance.

1. City will provide Air Carrier with a true and complete copy of the Permit and any revisions thereto upon request, and will, as time and personnel allow, consult with and assist Air Carrier with regard to City's Permit and City Ordinance requirements.
2. City shall have the right to monitor and require Air Carrier's compliance with City's Permit requirements, including, but not limited to: certification of non-storm water discharges; collection of storm water samples; preparation of storm water management plans; implementation of Best Management Practices; and the maintenance of necessary records.
3. City reserves the right to impose upon Air Carrier any BMP or other action necessary to insure City's ability to comply with its City Permit requirements or applicable City ordinances; however, except in "extreme emergency" conditions, Air Carrier shall have ten (10) days from date of receipt of written notice imposing such BMP's or other requirements to notify City in writing if it objects to any action it is being directed to undertake. If Air Carrier does not provide the specified timely notice, it will be deemed to have assented to implement the BMP's or other requirements. If Air Carrier provides City with timely written notice of its objections, the parties agree to negotiate a prompt resolution of their differences. Air Carrier warrants that it will not serve a written notice of objections for purposes of delay or avoiding compliance.
4. Air Carrier agrees to comply with City's Storm Water Policy and to implement it at its sole expense, unless otherwise agreed to in writing between City and Air Carrier, those City Permit and City ordinance requirements which pertain to its operations and activities on PSHIA. Air Carrier warrants that it will use its best efforts to meet all deadlines that are established by statute, regulation, ordinance, and City's Storm Water Policy, or that are agreed to by the parties. Air Carrier acknowledges that time is of the essence in the implementation of all Permit requirements.
5. In this Article, "extreme emergency conditions" means:
 - a. Conditions that impose an immediate impact on waters of the United States (e.g., Salt River) resulting from an emergency situation such as fire, spill, release or explosion, such that the facility responsible for the release must immediately begin appropriate response activities independently of City's direction or oversight;
 - b. An emergency such that a facility has to close because of a catastrophic event, where the facility can extend the ten (10) day period of C(3), but must implement Best Management Practices before it reopens;
 - c. A collapse of the storm sewer system or other event which forecloses PSHIA and/or City from performing its obligations under the City Permit due to lack of capacity.

D. Permit Changes.

Air Carrier acknowledges that the terms and conditions of City's Permit may change from time to time, and upon prior written notice from City to Air Carrier of proposed changes, Air Carrier shall be given the opportunity to submit comments to City prior to negotiations with the appropriate governmental entity(ies) for permit modifications.

E. Material Condition.

Full compliance with the NPDES permit program, 40 C.F.R. Part 122, Chapter 32(C) of the Phoenix City Code, and the City's Storm Water Policy is a material condition of this LOA, and for any breach thereof which exposes City to civil or criminal fine, penalty, sanction or remediation cost by any governmental entity, City may terminate this LOA, and cause Air Carrier to be removed from the City's Permit, if Air Carrier is a co-permittee, without recourse by Air Carrier.

F. Covenant of Good Faith.

City and Air Carrier covenant to act in good faith to implement any requirements imposed by City's Permit, to the end that the purposes of Section 402(P) of the Federal Water Pollution Control Act (33 U.S.C. 1342(P)) may be achieved. City and Air Carrier acknowledge that close cooperation will be necessary to ensure compliance with any City Permit requirements to promote safety and minimize costs, and each party agrees to a candid exchange of information necessary to coordinate a storm water management and monitoring plan.

G. Indemnification.

The covenants of insurance and indemnification in favor of City imposed by other provisions of the LOA shall extend to, and are incorporated into, the provisions of this Article.

AIR CARRIER INSURANCE REQUIREMENTS

Airline shall procure and maintain for the duration of the Agreement, insurance against claims for injury to persons or damage to property which may arise from or in connection with this Agreement by the Airline, Airline's agents, representatives, employees or contractors.

The insurance requirements herein are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement. The City in no way warrants that the minimum limits contained herein are sufficient to protect the Airline from liabilities that might arise out of this Agreement and Airline is free to purchase such additional insurance as may be determined necessary.

A. MINIMUM SCOPE AND LIMITS OF INSURANCE: Airline shall provide coverage at least as broad and with limits of liability not less than those stated below.

1. Commercial General Liability - Occurrence Form
(Form CG 0001, ed. 10/93 or any replacements thereof)

General Aggregate	\$25,000,000
Products-Completed Operations Aggregate	\$ 1,000,000
Personal & Advertising Injury	\$ 1,000,000
Each Occurrence	\$ 1,000,000
Fire Damage (Any one fire)	\$ 50,000
Medical Expense (Any one person)	Optional
2. Automobile Liability - Any Auto or Owned, Hired and Non-Owned Vehicles
(Form CA 0001, ed. 12/93 or any replacement thereof)

Combined Single Limit Per Accident for Bodily Injury and Property Damage	\$5,000,000
--	-------------
3. Workers' Compensation and Employer's Liability

Workers' Compensation	Statutory
Employer's Liability: Each Accident	\$ 500,000
Disease-Each Employee	\$ 500,000
Disease-Policy Limit	\$ 500,000

B. SELF-INSURED RETENTIONS/DEDUCTIBLES: Any self-insured retentions and deductibles greater than \$10,000 must be declared to and approved by the City.

C. OTHER INSURANCE REQUIREMENTS: The policies are to contain, or be endorsed to contain, the following provisions:

1. Commercial General Liability and Automobile Liability Coverages:

- a. ***The City of Phoenix, its officers, officials, agents, and employees are additional insureds with respect to liability arising out of the use and/or occupancy of the property subject to this Agreement and activities performed by or on behalf of the Airline including; products and completed operations of the Airline; and automobiles owned, leased, hired or borrowed by the Airline.***
- b. The Airline's insurance shall contain broad form contractual liability coverage.
- c. The City, its officers, officials, agents, and employees shall be additional insureds to the full limits of liability purchased by the Airline even if those limits of liability are in excess of those required by this Agreement. The commercial general liability additional insured endorsement will be at least as broad as the Insurance Services Office, Inc. (ISO) additional insured form B CG 20 10 1185.
- d. The Airline's insurance coverage shall be primary insurance with respect to the City, its officers, officials, agents, and employees. Any insurance or self-insurance maintained by the City, its officers, officials, agents, and employees shall be in excess of the coverage provided by the Airline and shall not contribute to it.
- e. The Airline's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- f. Coverage provided by the Airline shall not be limited to the liability assumed under the indemnification provisions of this Agreement.
- g. The policies shall contain a waiver of subrogation against the City, its officers, officials, agents, and employees for losses arising from Airline's operations, occupancy and use of the premises that are the subject of this Agreement.

2. Workers' Compensation and Employer's Liability Coverage: The insurer shall agree to waive all rights of subrogation against the City, its officers, officials, agents, and employees for losses arising from Airline's operations, occupancy and use of the premises that are the subject of this Agreement.

- D. NOTICE OF CANCELLATION:** Each insurance policy required by the insurance provisions of this Agreement shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to the City. Such notice shall be sent by certified mail, return receipt requested. directly to:

Airline Affairs
Business & Properties Division
City of Phoenix Aviation Department
3400 Sky Harbor Blvd.
Phoenix, AZ 85034

- E. ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or approved unlicensed companies in the State of Arizona and with an "A.M. Best" rating of not less than A- VII. The City in no way warrants that the above-required minimum insurer rating is sufficient to protect the Airline from potential insurer insolvency.

- F. VERIFICATION OF COVERAGE:** Airline shall furnish the City with original [certificates of insurance](#) (ACORD form or equivalent approved by the City) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. *Any policy endorsements that restrict or limit coverage shall be clearly noted on the certificate of insurance.*

All certificates are to be received and approved by the City before the lease term commences. Each insurance policy required by this Agreement must be in effect at or prior to the commencement of the Agreement and must remain in effect for the duration of the Agreement. Failure to maintain the insurance policies as required by this Agreement or to provide timely evidence of renewal will be considered a material breach of the Agreement.

All certificates required by this Agreement shall be sent directly to:

Airline Affairs
Business & Properties Division
City of Phoenix Aviation Department
3400 Sky Harbor Blvd.
Phoenix, AZ 85034

The City Department, lease agreement number and location description are to be noted on the certificate of insurance. The City reserves the right to require complete, certified copies of all insurance policies and endorsements required by this Agreement at any time.

G. APPROVAL: Any modification or variation from the insurance requirements in this Agreement must have prior approval from the City of Phoenix Law Department, whose decision shall be final. Such action will not require a formal contract amendment, but may be made by administrative action.

*H:\JMack\Airlines\INSURANCE REQUIREMENTS.doc
Revised 10/17/02*

OLD REPUBLIC

Surety Company

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that OLD REPUBLIC SURETY COMPANY, a Wisconsin stock insurance corporation, does make, constitute and appoint:

its true and lawful Attorney(s)-in-Fact, with full power and authority for and on behalf of the company as surety, to execute and deliver and affix the seal of the company thereto (if a seal is required) bonds, undertakings, recognizances or other written obligations in the nature thereof, (other than bail bonds, bank depository bonds, mortgage deficiency bonds, mortgage guaranty bonds, guarantees of installment paper and note guaranty bonds, self-insurance workers compensation bonds guaranteeing payment of benefits, asbestos abatement contract bonds, waste management bonds, hazardous waste remediation bonds or black lung bonds), as follows:

ALL WRITTEN INSTRUMENTS IN AN AMOUNT NOT TO EXCEED AN AGGREGATE OF FIVE HUNDRED THOUSAND DOLLARS (\$500,000) FOR ANY SINGLE OBLIGATION, REGARDLESS OF THE NUMBER OF INSTRUMENTS ISSUED FOR THE OBLIGATION.

and to bind OLD REPUBLIC SURETY COMPANY thereby, and all of the acts of said Attorneys-in-Fact, pursuant to these presents, are ratified and confirmed. This document is not valid unless printed on colored background and is multi-colored. This appointment is made under and by authority of the board of directors at a special meeting held on February 18, 1982. This Power of Attorney is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the board of directors of the OLD REPUBLIC SURETY COMPANY on February 18, 1982:

RESOLVED that the president, any vice president, or assistant vice president in conjunction with the secretary or any assistant secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the company to execute and deliver and affix the seal of the company to bonds, undertakings, recognizances, and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any Power of Attorney previously granted to such person.

RESOLVED FURTHER that any bond, undertaking, recognizance, or suretyship obligation shall be valid and binding upon the Company:

- when signed by the president, any vice president or assistant vice president, and attested and sealed (if a seal be required) by any secretary or assistant secretary; or
- when signed by the president, any vice president or assistant vice president, secretary or assistant secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or
- when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the Power of Attorney issued by the company to such person or persons.

RESOLVED FURTHER that the signature of any authorized officer and the seal of the company may be affixed by facsimile to any Power of Attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the company, and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, OLD REPUBLIC SURETY COMPANY has caused these presents to be signed by its proper officer, and its corporate seal to be affixed this 13TH day of OCTOBER, 1999.

OLD REPUBLIC SURETY COMPANY

Assistant Secretary

President

STATE OF WISCONSIN, COUNTY OF WAUKESHA - SS

On this 13TH day of OCTOBER, 1999, personally came before me, _____ and _____ to me known to be the individuals and officers of the OLD REPUBLIC SURETY COMPANY who executed the above instrument, and they each acknowledged the execution of the same, and being by me duly sworn, did severally depose and say: that they are the said officers of the corporation aforesaid, and that the seal affixed to the above instrument is the seal of the corporation, and that said corporate seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority of the board of directors of said corporation.

Notary Public

02718/2001

My commission expires

CERTIFICATE

I, the undersigned, assistant secretary of the OLD REPUBLIC SURETY COMPANY, a Wisconsin corporation, CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore, that the Resolutions of the board of directors set forth in the Power of Attorney, are now in force.

52-5595

Signed and sealed at the City of Brookfield, WI this 10TH day of May, 2001

Assistant Secretary



☒ Old Republic Surety Company

☐ Old Republic Insurance Company



(CHECK APPLICABLE COMPANY HEREINAFTER REFERRED TO AS THE SURETY)

Sample Performance Bond

BOND NO. _____

CONCESSIONAIRE'S BOND

KNOW ALL MEN BY THESE PRESENTS, That we _____

as Principal, and Old Republic Surety Company organized under the laws of the state of
Wisconsin, as Surety, are held and firmly bound unto City of Phoenix, AZ

, as Obligor in the sum of **Fourteen thousand and NO/100***** Dollars,
lawful money of the United States, for which payment, well and truly to be made, we bind ourselves, our heirs, executors, administrators,
successors and assigns, jointly and severally, firmly, by these presents.

WHEREAS, the said Principal has applied to said Obligor for a license to or permit as a Concessionaire

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, That if the said Principal shall indemnify said Obligor against
all loss which the Obligor may be subject by reason of said Principal's non-compliance caused by said Principal's breach of any ordinance,
rule or regulation relating thereto, then the above obligation shall be void, otherwise to be and remain in full force and effect.

This obligation may be canceled by said Surety by giving thirty (30) days notice in writing of its intention to do so to said Obligor;
and provided further, that nothing herein shall affect any rights or liabilities which shall have accrued under this bond prior to the date
of termination; and the said Surety shall be relieved of any further liability under this bond thirty (30) days after receipt of said notice
by the said Obligor.

The term of this bond is for a period commencing May 09, 2001
and terminating (or continuous) March 31, 2003 provided, however, this bond may
be continued from year to year by continuation certificate executed by said Surety.

Signed, sealed and dated the 10th day of May, 2001

Sunrise Avionics, Inc.
Principal

By _____

Old Republic Surety Company

By _____

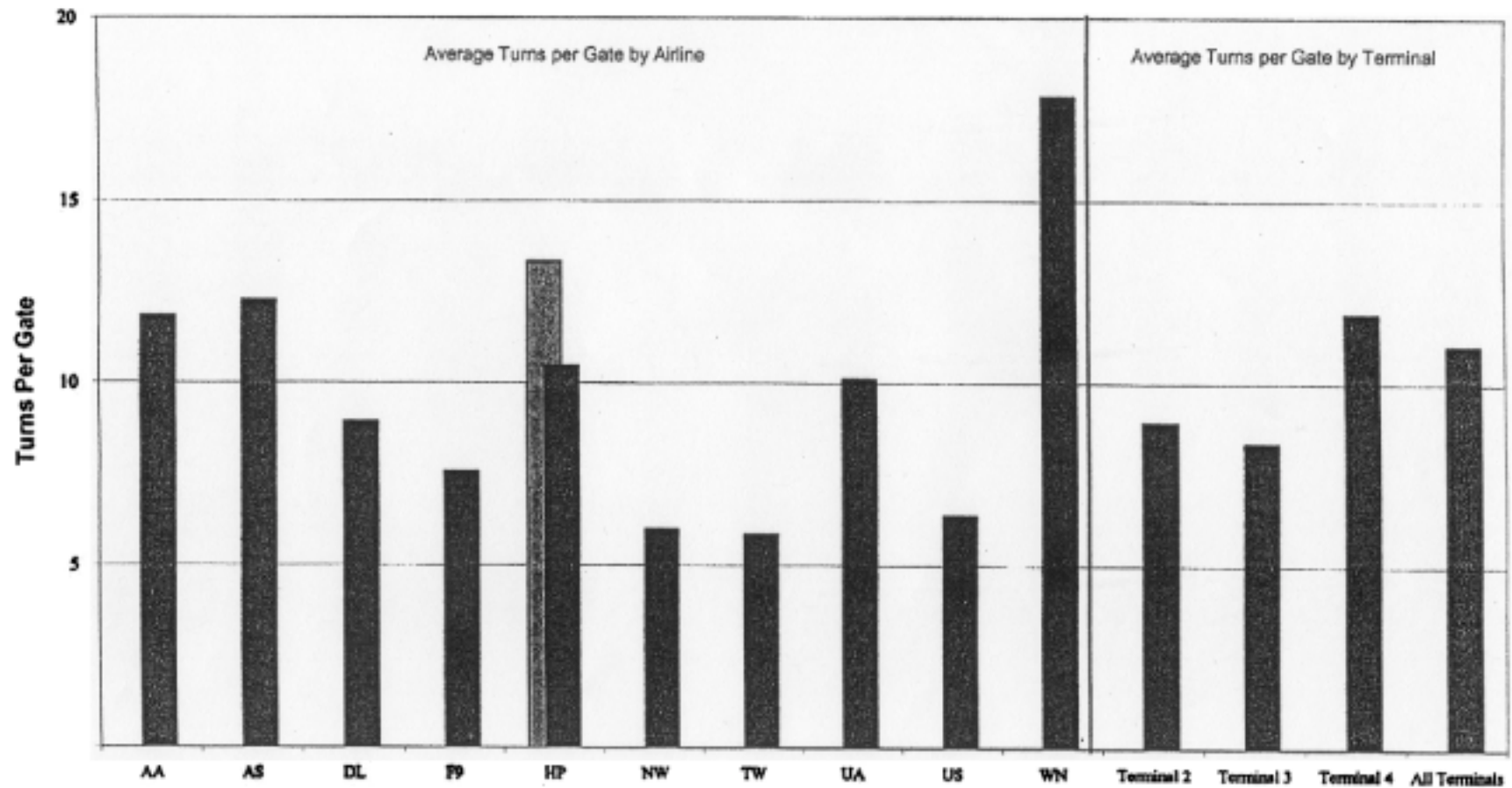
Attorney-in-fact



APPENDIX F: GATE UTILIZATION STUDY



Average Turns Per Gate



Source: Actual airline gate use data for the period of November 4-15, 2000.

Note: HP primary air carrier gates are shown in lighter shade.

Prepared by Landrum & Brown

H:\PHO\gateutilization\3\conf\Avg-Turns-chart.xls\InterGateTimePerGate

DRAFT

03/05/01

**Phoenix Sky Harbor International Airport
Gate Utilization Study**

Average Turns Per Gate by Airline and Terminal

EXHIBIT

1